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**KAZAKHSTAN'S GEOECONOMIC QUEST FOR
POWER IN A MULTIPOLAR WORLD**

by

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September 2017

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ABSTRACT

Since the collapse of the Soviet Union, Kazakhstan has managed to overcome a crumpling economy and ethnic tensions to become the wealthiest and most internationally respected republic in Central Asia: the only one to garner membership and leadership roles in the United Nations Security Council and the Organization for Security and Co-operation in Europe. How has Kazakhstan achieved this, given its history of oppression by foreign powers and its remote and vulnerable geography? Abandoning the logic of realism, President Nursultan Nazarbayev rejected the militaristic route to building state power, including giving up inherited Soviet nuclear weapons. Instead, he has implemented a “multi-vector” foreign policy that utilizes Kazakhstan’s mineral resource wealth and geopolitical position, taking advantage of major powers’ dependence on imported natural resources to build leverage. By examining his strategies through the lens of geoeconomics, this thesis sheds light on how a producer state can peacefully gain power vis-à-vis stronger neighbors in the modern international arena, what that means for U.S. foreign policy in dealing with illiberal regimes, and what challenges still lie ahead that may threaten to derail Kazakhstan’s unexpected and remarkable rise.

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LIST OF ACRONYMS AND ABBREVIATIONS

CIS	Commonwealth of Independent States
CNPC	China National Petroleum Corporation
CPC	Caspian Pipeline Consortium
CSTO	Collective Security Treaty Organization
EIA	Energy Information Agency
GDP	gross domestic product
IAEA	International Atomic Energy Agency
IEA	International Energy Agency
IPAP	Individual Partnership Action Plan
LEU	low-enriched uranium
NNSA	National Nuclear Security Administration
NOF	national oil fund
NPT	Non-Proliferation Treaty
OECD	Organization for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
PfP	Partnership for Peace
PPP	purchasing power parity
SCO	Shanghai Cooperation Organization
START	Strategic Arms Reduction Talks
SWF	sovereign wealth fund

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I. INTRODUCTION

In 2010, Kazakhstan's President Nursultan Nazarbayev scored a widely recognized diplomatic victory by securing the chairmanship of the Organization for Security and Co-operation in Europe (OSCE).¹ Astana, the remote Kazakhstani capital located on the northern steppes, also played host to the OSCE's first summit in 11 years, despite criticisms of Kazakhstan's human rights and election records.² In 2016, Kazakhstan became the first Central Asian state to secure a temporary seat on the United Nations Security Council, and since early 2017, Astana has been the improbable site of a series of multilateral peace negotiations over the ongoing Syrian civil war. Although Kazakhstan's relationships with Russia and Syria may render its claim of neutrality suspect, Nazarbayev has garnered international respect for bringing both government and rebel belligerents to the negotiating table.³ To the majority of westerners who are unfamiliar with Central Asia, it came as a surprise that a relatively unknown republic from that region should be playing such a prominent international role. Indeed, the exploits of non-major powers such as Kazakhstan have often been overlooked by both policy makers and analysts, who consequently may be missing out on valuable lessons.

Most international relations theories have focused on the interests and behaviors of the major powers while downplaying or outright disregarding the perspectives of comparatively weaker states.⁴ This worldview served scholars well in the age when major powers dominated international politics through a combination of military and

¹ OSCE, "Kazakhstan Takes over OSCE Chair, Seeks to Strengthen Organization and Advance Dialogue on Future European Security Architecture," OSCE Press Release, January 1, 2010, <http://www.osce.org/cio/51810>.

² Joanna Lillis, "Kazakhstan: Experts Give Astana Mixed Review on OSCE Chairmanship," Eurasianet.org, January 13, 2011, <http://www.eurasianet.org/node/62707>.

³ Aigerim Toleukhanova, "Kazakhstan Secures Seat on UN Security Council," Eurasianet.org, June 29, 2016, <http://www.eurasianet.org/node/79446>; Samuel Ramani, "What Does Kazakhstan Have at Stake in Syria?" *The Diplomat*, December 24, 2016, <http://thediplomat.com/2016/12/whatdoeskazakhstanhaveatstakeinsyria>; Rayhan Demytrie, "Kazakhstan Seeks Image Boost from OSCE Summit," BBC News, December 1, 2010, <http://www.bbc.com/news/world-asia-pacific-11880257>.

⁴ See, for example, Kenneth N. Waltz, *Theory of International Politics* (Long Grove, IL: Waveland Press, Inc., 1979); John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W. W. Norton & Company, 2001).

economic might; however, in the era of globalization, the world is less a pie divided between a few empires than a complex neighborhood of diverse actors, each with its own toolbox for protecting vested interests. For example, modern major powers can no longer simply rely on military conquest or the threat of violence to secure the resources they need for continued growth, and this new dynamic has elevated the standings of “middle powers,” which can sometimes exert significant influence over the major powers. What, then, does “power” mean in the modern world? As part of the scholarship that continuously re-examines the changing phenomenon of state power, this thesis looks to the case of Kazakhstan.

Still grappling with a myriad of domestic issues, Kazakhstan certainly belongs in the ranks of developing states in the eyes of most international observers, but during the two and a half decades of independence since the fall of the Soviet Union, this fossil fuel- and mineral-producing country has nevertheless risen to become the most economically powerful and internationally influential state in Central Asia. Situated geographically, economically, and politically at the intersection between several traditional major powers—Russia and China in particular, but also Europe and the United States to a lesser extent—Kazakhstan has skillfully carved out a niche for itself on the international scene. By most measures, Kazakhstan is punching above its weight in the global arena, and while quasi-authoritarian, resource-producing states that aspire to greatness are nothing new, Kazakhstan has succeeded in gaining international recognition and respect in a way few others have managed. How has Kazakhstan been able to achieve this feat while many other states have failed?

This thesis argues that Nazarbayev’s regime secured independence and built international influence by taking advantage of the emerging multipolar structure of the post-Cold War era and adopting a geoeconomic—rather than militaristic—approach to foreign policy, which leverages Kazakhstan’s natural resources and geography to build a peaceful yet counter-balancing web of relationships with the major powers.

A. SIGNIFICANCE: KAZAKHSTAN, RESOURCES, AND THE OVERLOOKED MIDDLE POWERS

An examination of Kazakhstan’s rise is relevant to two topics within the field of international relations: the roles and behaviors of “middle powers” and the question of how countries can leverage their natural resources to gain power.

Toward the end of the Cold War, states that used to be considered peripheral in the context of the bipolar global order began to see their diplomatic horizons broaden with the thawing of East–West relations. The middle powers among them—those that are “weaker than the great powers … but significantly stronger than the … small states”—started to take on more significant roles, albeit mostly regional or within specific issues, that were not available to them just a few decades earlier.⁵ This emerging dynamic piqued the interest of a small minority of international relations theorists, but the field in general remains heavily focused on the major powers for their might and the small states for their troubles.⁶ Nevertheless, the increasing prominence of middle powers in world affairs, such as Germany’s leadership within the European Union and Canada’s championing of human rights and economic issues, has called into question the traditionally accepted definition of power itself.⁷ Are realist notions of power obsolete in an interdependent, globalizing world?

Studying the behaviors of middle powers is thus crucial for achieving a more holistic understanding of the international power structure that, in many ways, has been evolving since the end of the Cold War. The rigid bipolar structure has become more “uneven and multi-dimensional,” in which the once dominant military and security domain has yielded considerably to economic and social dimensions, and middle powers have become “alternative sources of agency” vis-à-vis the great powers.⁸

⁵ Carsten Holbraad, *Middle Powers in International Politics* (New York: St. Martin’s Press, 1984), 4.

⁶ Holbraad, *Middle Powers*, 4.

⁷ Andrew F. Cooper, “Niche Diplomacy: A Conceptual Overview,” in *Niche Diplomacy: Middle Powers After the Cold War*, ed. Andrew F. Cooper (New York: St. Martin’s Press, 1997), 11.

⁸ Ibid., 2, 1.

Kazakhstan serves as an illustrative example of a middle power; its ascendancy is an interesting case of a rising regional actor that is performing beyond expectations on the world stage. By studying the methods and policies that Nazarbayev's regime has adopted, this thesis aims to further the understanding of how a newly independent state, saddled with historical baggage and facing strong contemporary headwinds, can nonetheless manage to not only survive, but soar above its peers, without overwhelming military or economic might.

This thesis also touches on two topics in states' use of their resources: gaining power and the politics of non-hydrocarbon energy resources. First, Kazakhstan serves as a ready example of how a state can leverage its resources into power. As the literature review will discuss, although scholars have devoted much work to the woes that often befall nations that are overly dependent on their resources, there is not a well-established playbook of how countries could use resources to peacefully and sustainably build power. Indeed, Kazakhstan's path may only be one of many possibilities, but it could also become a model for other resource-rich developing states to emulate, thus leading to a convergence of positive behaviors.

Second, as the preeminent energy source powering the modern global economy, fossil fuels—especially oil and gas—have dominated the literature on natural resources for nearly half a century. However, with prices in decline due to a combination of abundant supply and plateauing demand, the global resource trend may be in a transitional phase. Should the world turn to alternative sources of energy, understanding whether other energy resources come with the same promises and potential pitfalls as fossil fuels becomes ever more urgent. Comparing Kazakhstan's policies toward its large supply of uranium, in addition to its oil and gas, provides a clue as to the roles that different natural resources will play in the future of international relations.

Finally, this thesis analyzes Kazakhstan's policies through the lens of geoeconomics, which is a relatively new and underdeveloped concept in international relations. Like other topics in the field, geoeconomics has primarily been examined from the perspective of major powers, and Kazakhstan serves well as a test case for applying this concept to modern middle powers.

B. LITERATURE REVIEW

1. Power: A Theoretical Grounding

This thesis draws on literatures from four areas relating to power in international relations: sources of power, the connection between natural resources and power, middle powers, and the relatively new field of geoeconomics. Then the thesis applies this theoretical framework to the case of Kazakhstan: specifically, its quest for power and how it uses natural resources to that end.

a. Sources of Power

Morgenthau defines power as comprising “anything that establishes and maintains the control of man over man.”⁹ Traditional international relations theories emphasize the importance of military power and economic wealth, with military might being the ultimate form of power. However, scholars are increasingly challenging that primacy.

In Waltz’s anarchic international order, without a supranational body that restrains states’ behavior, self-help is the norm, and “security is the highest end”; therefore, military power should take precedence over economic growth.¹⁰ Mearsheimer also sees military might as the ultimate form of power, while other forms, which he calls latent power, are merely stepping stones to military power. Before a state can possess a large military, he argues, it must first have the “money, technology, and personnel ... socio-economic ingredients that go into building military power.”¹¹

In contrast, Keohane and Nye posit that in a new era of interdependence, “the power of nations ... has become more elusive: ‘calculations of power are even more delicate and deceptive than in previous ages.’”¹² Specifically, the role of military power has diminished as nations become mutually dependent on each other economically in “a

⁹ Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*, 5th ed. (New York: Alfred A Knopf, 1973), 9.

¹⁰ Waltz, *Theory of International Politics*, 126, 107.

¹¹ Mearsheimer, *The Tragedy of Great Power Politics*, 55.

¹² Robert O. Keohane and Joseph S. Nye, *Power and Interdependence*, 2nd ed. (New York: Harper Collins, 1989), 3.

tapestry of diverse relationships,” resulting in actions having reciprocal, rather than unidirectional, effects.¹³

b. Natural Resources and Power

Scholars have historically recognized natural resources as an importance source of military power and economic wealth. For example, Morgenthau develops an expanded list of elements that make up national power, which is primarily based on military and industrial might, but also on other categories such as geography, resources, national morale, diplomacy, and government.¹⁴

Traditional theories examine the natural resource issue from the perspective of great power consumers. Being a realist, Morgenthau’s view of resources’ importance concerns entirely what a great power can procure either within its national borders or spheres of influences abroad. Nonetheless, he did anticipate that the all-important but hardly ubiquitous oil would bring about “a shift in the relative power of the politically leading nations.”¹⁵ This recognition is not new, as Muir wrote decades earlier that great empires depend on supplies “drawn from every part of the world.”¹⁶ While taking issue with the Keohane and Nye formulation of interdependence as a concept, Barry Jones notes that the global oil trade does indeed exhibit interdependency’s characteristics of mutual dependency and interconnectedness, with importing countries relying on the inflow of oil while the exporting countries rely on the revenue.¹⁷

This debate is not sufficiently attentive to the perspective of resource producer states, which may possess a disproportionate power advantage over militarily and economically stronger countries. There are several ways that producer countries can use their natural resources to gain international influence, the most dramatic of which is the

¹³ Keohane and Nye, *Power and Interdependence*, 4, 8.

¹⁴ Morgenthau, *Politics Among Nations*, 112–149.

¹⁵ Ibid., 117–118.

¹⁶ Ramsay Muir, *The Interdependent World and Its Problems* (Port Washington, NY: Kennikat Press, 1971), 18.

¹⁷ R. J. Barry Jones, “The Definition and Identification of Interdependence,” in *Interdependence on Trial: Studies in the Theory and Reality of Contemporary Interdependence*, ed. R. J. Barry Jones and Peter Willetts (New York: St. Martin’s Press, 1984), 21.

energy weapon: cutting off energy supplies to a target country to influence its decision making. Regarding oil and gas specifically, the current consensus is that the energy weapon is neither as potent as people fear nor as effective in gaining power for the exporter that wields it. After studying the oil weapon case of the Arab members of the Organization of Petroleum Exporting Countries (OPEC) placing an oil embargo and inducing an “oil price shock” in the 1970s, Mabro points out that this strategy is ineffective due to the large number of exporters in the global oil market.¹⁸ Similarly, Russia’s use of its gas weapon against Ukraine in 2006 and 2009 resulted in the exporter being the one who lost out through the lessening of both revenue and the reputation as a reliable supplier, prompting consumers to urgently seek out alternatives.¹⁹

Another way that producers can use natural resources to build power is to finance their foreign policy with resource rents. Shaffer very briefly observes the connection between the windfall generated by oil and gas revenue and “more assertive foreign policy” on the part of suppliers, citing Venezuela and Iran as examples, both of which became more aggressive and confrontational in promoting their political agenda abroad.²⁰ At the extreme end, Colgan identifies the “petro-aggression” phenomenon, in which revolutionary governments of petrostates, unhampered by domestic political risks due to the abundance of resource income, initiate international conflicts at a higher rate than comparable non-petrostates.²¹ Colgan cites Saddam Hussein’s ability to stay in power despite unfavorable outcomes in the wars with Iran and Kuwait.²²

The extensive literature on the troubles of overdependence on natural resource production, especially that of oil and gas, is replete with failing states suffering from

¹⁸ Robert Mabro, “The Oil Weapon,” *Harvard International Review*, December 31, 2007, <http://hir.harvard.edu/economics-of-national-securitythe-oil-weapon>.

¹⁹ James Henderson, “Does Russia Have a Potent Gas Weapon?,” in *The Palgrave Handbook of the International Political Economy of Energy*, ed. Thijs Van de Graaf, Benjamin K. Sovacool, Arunabha Ghosh, Florian Kern, and Michael T. Klare (London: Palgrave McMillan, 2016), 465, 466, doi:10.1057/978-1-137-55631-8.

²⁰ Brenda Shaffer, *Energy Politics* (Philadelphia: University of Pennsylvania Press, 2009), 32–33.

²¹ Jeff D. Colgan, “Fueling the Fire: Pathways from Oil to War,” *International Security* 38, no. 2 (Fall 2013): 161, doi:10.1162/ISEC_a_00135.

²² Ibid., 161.

ominous-sounding ills, such as the resource curse and the Dutch Disease. Analyses of these phenomena understandably focus on domestic characteristics that can lead to such destructive behaviors. However, with wise management, producer states can use their resource income to shore up economic power, although avoiding the resource curse remains a challenge. Luong and Weintal argue that the resource curse is not a predetermined fate after examining Russia and the post-Soviet Central Asian states. Notably, Kazakhstan and Russia, by allowing foreign private ownership of parts of their petroleum industry, bucked widespread expectations of poor fiscal policymaking and economically outperformed resource-poor post-Soviet republics, at least until 2005, the end of their analysis' timeframe.²³ Clawson points to the successes among the Gulf States in raising their respective national prestige and standards of living as proof that black gold does not always have to lead down a dark path, with the caveat that escaping the curse requires “incredibly huge amounts” of the resource.²⁴ Engen, Langhelle, and Bratvold caution that even in Norway, the poster child of a state that has successfully avoided the pitfalls commonly associated with oil and gas and built a vibrant and respected economy, the deeply embedded petroleum-industrial complex may yet pull it back onto the development trajectory of a typical petrostate.²⁵

Two gaps are evident in the literature. First, although there are examples of small producer states attempting, with limited success, to gain geopolitical power through the use of energy weapons or export revenue, it is rare to find in-depth analyses of how a nation converts natural resources into geopolitical power, especially vis-à-vis the major states. Second, the discussion of natural resources and power center almost exclusively on oil and gas, neglecting other resources that may become critical as the future of the world’s energy and material needs evolve.

²³ Pauline Jones Luong and Erika Weintal, *Oil is not a Curse: Ownership Structure and Institutions in Soviet Successor States* (New York: Cambridge University Press: 2010), 32–33, 34.

²⁴ Patrick Clawson, “Sometimes the Grass Is Indeed Greener: The Successful Use of Energy Revenues,” in *Beyond the Resource Curse*, ed. Brenda Shaffer and Taleh Ziyadov (Philadelphia: University of Pennsylvania Press, 2012), 58, 81–82.

²⁵ Ole Andreas Engen, Oluf Langhelle, and Reidar Bratvold, “Is Norway Really Norway?,” in *Beyond the Resource Curse*, ed. Brenda Shaffer and Taleh Ziyadov (Philadelphia: University of Pennsylvania Press, 2012), 278–279.

c. Middle Powers

Middle powers have attracted limited attention in international relations theory, but, in recent decades, it has become very difficult to fully understand global affairs without acknowledging their important role. Despite the lower level of interest, this state category is not a new concept. Holbraad cites Botero, who wrote in 1589, “Middle-sized states are the most lasting...exposed neither to violence by their weakness nor to envy by their greatness.”²⁶ Still, traditional theorists, such as Organski and Deutsch, who have focused primarily on the agency of major powers, argue that the actions of these lesser states have relatively little effect on world politics, while the stronger states get their way.²⁷ Yet Sullivan disagrees with this worldview of “bigness means influence,” citing Morgenthau in stating that “the relative influence of the different factors upon national power must be determined with regard to all nations,” since factors such as atomic energy, industrialization, and internal military balancing may disrupt the realist hierarchy within the international order.²⁸

The definition of a middle power is far from settled. Handel attempts both a qualitative and quantitative approach. He first defines middle powers as relatively weak states whose “foreign policy is governed by the policy of others ... [since] the international system leaves them less room for choice in the decision-making process [and] greater preoccupation with survival.”²⁹ He also divides middle powers into those with small populations but developed economies and those with a large population but less development; however, he concedes that it is difficult to agree on which states belong in this category, as different scholars choose various problematic boundaries.³⁰ Instead of using quantitative criteria, Keohane prefers to define middle powers as “a state whose leaders consider that it cannot act effectively by itself, but may have a systemic

²⁶ Holbraad, *Middle Powers*, 11–12.

²⁷ Michael P. Sullivan, *Power in Contemporary International Politics* (Columbia: University of South Carolina Press, 1990), 76.

²⁸ Ibid., 76, 77.

²⁹ Michael Handel, *Weak States in the International System* (Totowa, NJ: Frank Cass, 1981), 4, 3.

³⁰ Ibid., 23, 24, 28.

impact in a small group or through an international institution”: that is, they are “system-affecting states.”³¹

The importance of studying middle powers is evident through other, more relational definitions of this category of states. Handel adds the requirement that major powers have to take middle powers into account in their decision making.³² Holbraad similarly affirms the influence of middle powers, which are “states that are weaker than the great powers in the system but significantly stronger than the minor powers and small states with which they normally interact.”³³ Holbraad also points out that middle powers’ “role in international politics appears to have become more important” since the later years of the Cold War.³⁴

d. Geoeconomics

Luttwak’s pioneering of the field of geoeconomics introduced a new international relations paradigm at the end of the Cold War. Recognizing the “[reduced] importance of military power in world affairs” but at the same time unconvinced by the new optimism that “the methods of commerce” have taken over, Luttwak argues that the logic of conflict has not gone by the wayside.³⁵ States and blocs of states, rather than purely economic entities such as corporations, remain the primary political actors on the international scene. The former are “inclined to strive for relative advantage against like entities,” while the latter primarily follow the logic of commerce. Therefore, Luttwak sees the emergence of “geo-economics,” a new hybrid worldview that combines elements of realist competition and economic interdependence, or as he puts it: “the logic of war in the grammar of commerce.”³⁶ Whereas, in the past, a state’s strategic priorities overshadowed commerce, such as when the United States and Western Europe

³¹ Handel, *Weak States*, 29.

³² Ibid., 29.

³³ Holbraad, *Middle Powers*, 4.

³⁴ Ibid.

³⁵ Edward N. Luttwak, “From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce,” *The National Interest* 20 (Summer 1990): 17, ILLiad (12532731).

³⁶ Ibid., 18, 17, 19.

suppressed their conflicting economic interests for the sake of maintaining the anti-Soviet alliance, nowadays political interventions are no longer motivated by an overarching fear of a common enemy and are thus insufficient to contain economic quarrels.³⁷

Building on Luttwak's suggestion that different states take on a wide range of geo-economic behaviors, Wigell proposes conceptualizing geoeconomic strategies into four ideal-types, which are categorized along the two axes of strategic frame and economic power (Figure 1): neo-imperialism, neo-mercantilism, hegemony, and liberal institutionalism.³⁸ A full discussion of each ideal-type is outside the scope of this thesis, but it is relevant to note that Wigell's formulation supposes that regional powers who "seldom possess the necessary military power" to achieve their strategic goals through force are especially attracted to these ideal-types, and it is unlikely they would pursue just one strategy.³⁹

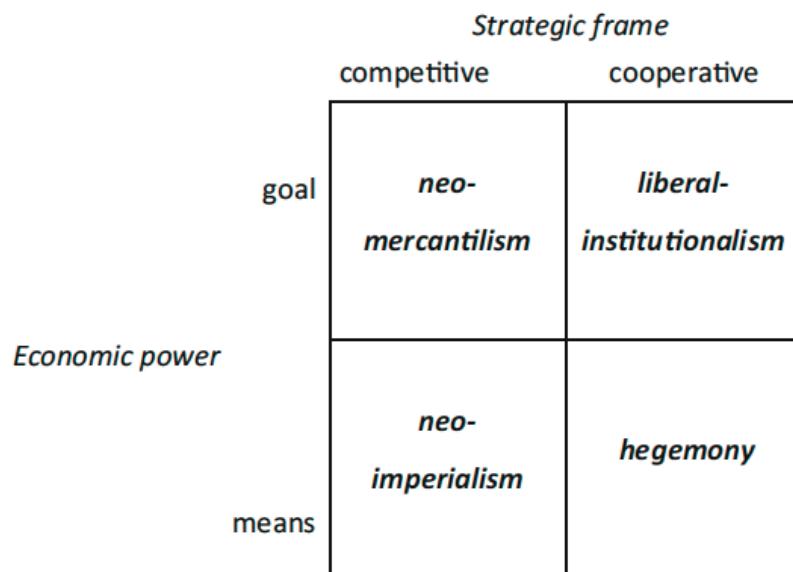


Figure 1. Regional powers' geoeconomics strategies⁴⁰

³⁷ Luttwak, "From Geopolitics to Geo-Economics," 20.

³⁸ Ibid., 21; Mikael Wigell, "Conceptualizing Regional Powers' Geoeconomic Strategies: Neo-Imperialism, Neo-Mercantilism, Hegemony, and Liberal Institutionalism," *Asia Europe Journal* 14 (2016): 135, doi:10.1007/s10308-015-0442-x.

³⁹ Wigell, "Conceptualizing Regional Powers' Geoeconomic Strategies," 146, 137.

⁴⁰ Source: Wigell, "Conceptualizing Regional Powers' Geoeconomic Strategies," 141.

In another recent work that more concretely lays out the geoeconomic strategies that rising states adopt, Blackwill and Harris argue that in the post-Cold War world, this form of statecraft has become more effective than geopolitics as traditionally understood.⁴¹ Geoconomics essentially views the economic behaviors of a state within the larger context of its power, and this approach to gaining power is advantageous in that, unlike the traditional zero-sum logic of geopolitics, geoconomics allows for win-win results.⁴² The new logic of geoconomics allows states traditionally seen as small or weak to rise peacefully and even prosper at a level that is disproportionate to their apparent size and capability, without threatening the major powers or upending the international system.⁴³ Thus, rising powers are increasingly choosing economic instruments, including positive inducements, punitive measures, or both, as the first resort in formulating foreign policy and projecting influence in the world.⁴⁴

Several factors have driven rising states away from resorting to violent conflict over the past several decades. First, it remains very difficult for smaller states to challenge the military primacy of major powers in a large-scale conflict, thus forcing them to either cooperate or compete in other realms. Second, major powers' military misadventures in various parts of the world, especially the United States in Vietnam and the Soviet Union in Afghanistan, have demonstrated that armed conflicts can quickly become political and economic quagmires, with exorbitant costs far outweighing any minor gains. Lastly, the example of China's rapid and largely peaceful rise has shown that rising states can use geoconomic tools to both pursue strategic goals and counter the actions of adversaries.⁴⁵

Blackwill and Harris further argue that the main mechanism that facilitates the implementation of effective geoconomics strategies is modern state capitalism. Not surprisingly, the states that are most likely to wield economics as a foreign policy

⁴¹ Robert D. Blackwill and Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft* (Cambridge, MA: The Belknap Press, 2016), 20.

⁴² Ibid., 24.

⁴³ Ibid., 20, 26, 89.

⁴⁴ Ibid., 34.

⁴⁵ Blackwill and Harris, *War by Other Means*, 35–36, 221.

instrument are also the ones that directly control a greater quantity of natural resources. For example, by 2016, governments owned the thirteen largest oil and gas companies in the world, comprising 75 percent of global energy reserves. Some of the operators of these state-owned enterprises have become wealthier, more sophisticated, and more internationally savvy than their predecessors, and they represent new policy options for rising powers. This increasing state ownership within a more integrated global market has given the state a new foreign policy tool and, where such state enterprises already existed, deepened the mutual dependence of a state's foreign policy and economic forces.⁴⁶

2. The Case of Kazakhstan

While there is a significant amount of scholarship on Kazakhstan, most of the research lacks the Central Asian state's perspective on foreign policy development. This thesis draws on both scholarly work and Nazarbayev's biographies to explain why Kazakhstan searches for international power and how it accomplishes that goal using geoeconomic strategies.

Cummings points out that "most analyses of Central Asian foreign policy behavior have emphasized either domestic factors ... or the international system ... Few studies have as yet provided in-depth understandings of how elites make foreign policies and what sort of factors and processes go into that decision-making."⁴⁷ Indeed, scholars have extensively documented the motivations of Russia, China, and the West in Central Asia through the lens of a new "Great Game" between the great powers for natural resources and geopolitical positioning.⁴⁸ While agreeing with Cummings that "internal politics cannot be understood without reference to the outside world," this thesis will focus on the perspective of Kazakhstan looking outward.⁴⁹

⁴⁶ Ibid., 36–37.

⁴⁷ Sally N. Cummings, *Understanding Central Asia: Politics and Contested Transformations* (New York: Routledge, 2012), 60.

⁴⁸ This perspective is covered in, among others, Alexander Cooley, *Great Games, Local Rules: The New Great Power Contest in Central Asia* (New York: Oxford University Press, 2012).

⁴⁹ Cummings, *Understanding Central Asia*, 92.

Western scholars are tempted to zoom in on Kazakhstan's institutional failures without fully consider the challenges that the state has overcome and its aspirations on the world stage. Part of this bias is ideological; like other post-Soviet states, at the core of Kazakhstan's government and policymaking is a supra-presidential regime, which is antithetical to western democracy. Cummings characterizes the first decade of the Nazarbayev presidency as overly focused on state- and institution-building; managerial and lacking a clear ideology; kleptocratic; and overpowered by personalities, corruption, and patrimonialism.⁵⁰ Olcott places the blame for Kazakhstan's problems squarely on the shoulders of the leadership, believing that the nation's problems were not its destiny but arose from a lack of self-discipline at the top.⁵¹ This common view among western scholars marginalizes the perspective of "the man in the arena" in favor of third party judgment based on western standards of governance. Yet the story of a people is based more on subjective narratives than objective evaluations, and thus this thesis will also take into account both Aitken's biography of Nazarbayev and the president's own memoir as windows into the mindset and experiences that led to the decisions that set Kazakhstan on its pursuit of power.⁵²

a. Kazakhstan's Search for Power

Kazakhstan's Soviet history and geopolitical position after the unexpected collapse of the Soviet Union are crucial in understanding Nazarbayev's motivation for securing power for his young nation. Chapter Two contains a fuller accounting of the history, which is well-documented, but it is worth noting here that there is broad agreement in both historical and contemporary literature on the Kazakhstan-Russia relationship's paradoxical nature. Namely, Kazakhstan is closely tied to Russia through shared history, culture, and geography, but it also very much desires to gain more

⁵⁰ Sally N. Cummings, "Kazakhstan: An Uneasy Relationship – Power and Authority in the Nazarbaev Regime," in *Power and Change in Central Asia*, ed. Sally N. Cummings (New York: Routledge, 2002), 62.

⁵¹ Martha Brill Olcott, *Kazakhstan: Unfulfilled Promise* (Washington, D.C.: Carnegie Endowment for International Peace, 2002), 1–2.

⁵² Jonathan Aitken, *Nazarbayev and the Making of Kazakhstan* (New York: Continuum, 2009); Nursultan Nazarbayev, *The Kazakhstan Way* (London: Stacey International, 2008).

independence and pull away from Russia's sphere of influence.⁵³ Hoffman observes that "no relationship is more critical to Kazakhstan than that with Russia," due to intertwined legacies from a shared history, a long border, and security arrangements binding the two together.⁵⁴ Nevertheless, Cummings points out that Kazakhstan "should be viewed as a Eurasian territory with a longtime—and enduring—subjugation to or dependence on Russia."⁵⁵ Yet, while governing "the only Soviet republic in which the titular nationality was a minority population," Nazarbayev understandably wanted to establish a sense of national identity in earnest, separate from the Russian connection.⁵⁶

b. *Kazakhstan's Use of Resources to Gain Power*

Oil is undoubtedly Kazakhstan's most abundant and lucrative resource, but there is a long road between possessing it and profiting from it, much less deriving power from it. While many scholars characterize Kazakhstan as being trapped by its isolated geography, some argue that it has managed to overcome this weakness through the process of developing its oil.

Olcott best summarizes a common description of Kazakhstan's tangible endowments: "blessed by resources but cursed by geography."⁵⁷ Khanna observes that even Kazakhs themselves consider their location on earth as "cursed," and believe that their abundant natural resources have only made the country a target of foreign exploitation.⁵⁸ However, Cummings argues that Nazarbayev has managed to turn this curse into a blessing by using Kazakhstan's isolated, but strategically significant, geography to forge ties with multiple major powers as part of his oft-mentioned "multi-vector" foreign policy. Kazakhstan has used proximity to maintain a close relationship

⁵³ Reference Olcott, *Kazakhstan*, chapter 1 and John Anderson, *The International Politics of Central Asia* (New York: Manchester University Press, 1997), chapters 1–3.

⁵⁴ David Isao Hoffman, *Oil and State-Building in Post-Soviet Azerbaijan and Kazakhstan* (Ann Arbor, MI: UMI, 2000), 40.

⁵⁵ Cummings, "Kazakhstan," 61.

⁵⁶ Ibid.

⁵⁷ Olcott, *Kazakhstan*, 10.

⁵⁸ Parag Khanna, *The Second World: Empires and Influence in the New Global Order* (New York: Random House, 2008), 85.

with Russia, especially in the security realm, while also obtaining economic assistance from China. It has also portrayed itself as a Eurasian transit corridor, which connects the East and West but is bound by neither.⁵⁹ There is little doubt, however, that the primary means with which Nazarbayev has been able to grow Kazakhstan's economy is the country's vast amounts of oil.

c. Oil and Pipelines, but What Else?

The literature on Kazakhstan's fossil fuel and foreign policy breaks down into two camps. The majority of scholarship focuses on the great powers' interests in dealing with Kazakhstan. Other than Russia, China has quickly risen to the top of the pile of foreign exploiters. Lanteigne outlines China's aggressive investment strategy in Central Asia in general, and in Kazakhstan specifically, due to Beijing's view of the region as "a vital secondary source of energy [that poses] fewer security risks than maritime imports."⁶⁰

On the other hand, an emerging camp is arguing in favor of Kazakhstan's agency and leverage in its relationship with more powerful states. Cooley argues that "Central Asian states ... are not passive pawns in the strategic maneuverings of the great powers, but important actors in their own right," and observers should acknowledge their "considerable agency ... in dealing with their geopolitical suitors."⁶¹ Overland and Torjesen challenge the traditional understanding of Russia's imperial relationship with Kazakhstan, arguing that "while Kazakhstan has chosen to establish a close and cooperative relationship with Russia, it has also proactively and assertively defended its own national interests vis-à-vis Russia."⁶² Kennedy also argues that it would be a mistake to assume that Kazakhstan is in the exploited position as a resource producer, noting both its continued drive to diversify its portfolio of export customers, maintain

⁵⁹ Cummings, *Understanding Central Asia*, 60, 109.

⁶⁰ Marc Lanteigne, "China, Energy Security, and Central Asian Diplomacy: Bilateral and Multilateral Approaches," in *Caspian Energy Politics: Azerbaijan, Kazakhstan, and Turkmenistan*, ed. Indra Overland, Heidi Kjaernet, and Andrea Kendall-Taylor (New York: Routledge, 2010), 104, 107.

⁶¹ Alexander Cooley, *Great Games, Local Rules*, 8–9.

⁶² Indra Overland and Stina Torjesen, "Just Good Friends: Kazakhstan's and Turkmenistan's Energy Relations with Russia," in *Caspian Energy Politics: Azerbaijan, Kazakhstan, and Turkmenistan*, ed. Indra Overland, Heidi Kjaernet, and Andrea Kendall-Taylor (New York: Routledge, 2010), 136–137.

traditional relationship with Russia and building new ones with Iran.⁶³ In the process, Kazakhstan has managed to extract overpayments from the eager Chinese while staving off dominance by either China or Russia and increasing its own state control over resources.⁶⁴

The most striking observation when surveying the literature on the role that natural resources play in national policies and geopolitical power in Kazakhstan is the near complete emphasis on oil, gas, and pipelines. Although Olcott mentions that Kazakhstan has “substantial gold deposits and rich unmined veins of copper, chrome, and aluminum,” not to mention its current position as the top exporter of uranium, almost all analyses completely ignore all resources except oil and gas.⁶⁵ This gap is understandable, but one that this thesis aims to address by examining Kazakhstan’s uranium industry.

C. HYPOTHESES

The two primary sources of power in traditional international relations theory are military might and economic strength, so they form the two broad hypotheses that this thesis examines.

(1) Kazakhstan Has Built Geopolitical Power by Strengthening its Military

Realists would expect that a newly independent Kazakhstan would quickly build up a strong military or form close alliances to defend its long borders against the surrounding major powers. Yet, Kazakhstan has eschewed gaining security and power through military means. The Kazakhstani military’s size is small for a country with international ambitions, which borders potential adversaries, both larger and smaller, on all sides. The most notable argument against the military-for-power hypothesis is that Kazakhstan willingly relinquished its large store of nuclear weapons after the fall of the Soviet Union, during a time when minor powers in the South Asia and Middle East were

⁶³ Ryan Kennedy, “In the ‘New Great Game,’ Who is Getting Played? Chinese Investment in Kazakhstan’s Petroleum Sector,” in *Caspian Energy Politics: Azerbaijan, Kazakhstan, and Turkmenistan*, ed. Indra Overland, Heidi Kjaernet, and Andrea Kendall-Taylor (New York: Routledge, 2010), 118–119.

⁶⁴ Ibid., 122, 123, 132.

⁶⁵ Olcott, *Kazakhstan*, 10, 11.

actively pursuing the technology, both as a deterrent against larger powers and as a symbol of prestige. That Nazarbayev, who desires international respect, would voluntarily give up such a ready instrument of power is a strong indication that he envisioned a different path to prominence for Kazakhstan, based on peaceful economic development and diplomacy.

Few scholars mention the military as a significant source of power for Kazakhstan, and reasonably so. In an effort to secure its borders and establish sovereignty after independence, Kazakhstan did build up a military force that could nominally guard its long borders; however, even by 2010, Kazakhstan's military totaled only around fifty thousand troops.⁶⁶ Other than the nuclear warheads and missiles that garnered international attention in the early 1990s, most authors, including those of Nazarbayev's biographies, do not even mention the Kazakhstani military in their analyses of its foreign policy. This is a very curious but telling statement on the military's diminished role in this former Soviet republic.⁶⁷

(2) Kazakhstan Has Built State Power through Geoeconomic Means

Nazarbayev believes that strengthening the economy, rather than the military, is the best way for Kazakhstan to secure independence and build international power.⁶⁸ This thesis argues that, to this end, Kazakhstan has employed four strategies, which leverage natural resource wealth or geographical positioning between major powers in different ways:

1. Using business deals to strengthen the regime

For regimes that practice modern state capitalism, having their own state enterprises form business ties can be a useful political tool. This is especially true when the other negotiating party is also a state-owned enterprise with direct connection to its ruling regime, since both parties are keen to use business deals to serve political purposes, in addition to economic ones.

⁶⁶ Cummings, *Understanding Central Asia*, 58, 59.

⁶⁷ Cummings, "Kazakhstan," 62.

⁶⁸ Nazarbayev, *The Kazakhstan Way*, 14.

There are several ways that business deals can strengthen the regime. The most direct way is bringing in capital, which enriches the regime and its supporters and funds the state apparatus, including internal security institutions, that keep the regime in power. However, business ties can also serve diplomatic purposes, which are directly relevant to building international power. Commercial ties between the parties involved in the deal making—especially between their state-owned enterprises—are a gateway to closer diplomatic partnerships. To third party observers, such deals are also signals of the regime’s economic health and political trustworthiness, which can translate into international recognition and more business and diplomatic connections. Building on these ties is thus a tool to gain prestige, credibility, and ultimately the ability to effectively conduct foreign policy.

Regimes can use business deals as bargaining chips that incentivize desired political behaviors and enhance its relative power vis-à-vis a target government. This power imbalance may even apply to other negotiations over matters unrelated to the said commercial venture. This process is more straightforward between state-owned enterprises, which can act as proxies for the regimes’ political goals. In the case of dealing with private firms, the acting regime could withhold completing a business deal as a way of messaging to the target government. Acting on its own interests, the private firms may leverage political influence and push its own government into complying with the acting regime’s goals. This method is not limited to any economic sector, so long as the private firms involved factor significantly in the target government’s political calculus. In this way, a commercial relationship could also be a means for the regime to achieve non-commercial objectives.

2. Exploiting geographical positioning between major powers

Traditionally, being located between major powers is a distinct disadvantage, as it means being under constant threat from multiple sides. This is no longer the case from a geo-economic perspective, since there is less incentive to inflict violence against neighboring states; in fact, from a purely economic point of view, geographical proximity with multiple large economies is the basis for a multilateral win-win arrangement, as it lowers the transportation costs between several trading partners.

Mere possession of resources is not enough to generate revenue; there must also be ways to get the products to market, and it is most convenient if the buyers are right next door. In terms of transportation logistics, not all resources are equal, and proximity may be more important for the sale of some resources than others, especially when considering the need to construct the transport medium. For example, the most efficient way to transport oil and gas is through pipelines, which are expensive to build, especially over long distances and difficult terrain or volatile areas. On the other hand, coal or other solid minerals can be transported over existing roads and railroads. Thus, having a ready market just across the border is more economically beneficial for selling oil and gas.

For states that have neither raw materials nor manufactured products to sell, geographical connectedness to producers and consumers is itself a potentially lucrative source of revenue through the collection of transit fees. In an era of almost instantaneous transfer of information over the worldwide web, most commercial products still require physical transportation over long geographical distances, reliable intermediaries, and safe passage. Therefore, “centrality as a transit point” between producers and markets becomes a useful asset that a state can wield as influence.⁶⁹ In practice, a centrally located state can impose customs and transit tariffs to raise revenue or allow passage in exchange for other concessions. Geography can also be leveraged punitively. By threatening to deny transit across its territory, a regime could raise the transaction cost for market players to the point where they would capitulate to its demands.

3. Leveraging consumer states’ dependence on foreign mineral resources

The evolving geoeconomic behavior of rising states is disrupting the traditional view that the relationship between the developed and developing world is one of domineering exploitation, on the part of the more developed states. In the modern international arena, based more on interdependent commercial ties than conquest and colonization, producer states can take advantage of larger consumer states’ need for resources to build up their relative power. If a larger state does not possess or produce enough mineral resources to be self-sufficient, then it is dependent on foreign imports to

⁶⁹ Blackwill and Harris, *War by Other Means*, 90.

fuel its military, sustain or grow its economy, and maintain the ruling regime's hold on power. When resource acquisition by force is off the table, this dynamic puts a disproportionate amount of influence in the hands of smaller producer states vis-à-vis states that are traditionally considered more powerful. Although large producer countries such as Russia have often exercised this capability in a coercive fashion to mixed results, some smaller producer states have more shrewdly and successfully utilized their mineral resources. For example, rather than openly antagonizing other states through the aggressive use of energy weapons, some post-Soviet republics have welcomed consumer states from around the globe to partake in their resource feast.⁷⁰ This way, smaller producer states gain reliable sources of income and influence, as the larger consumer states are dependent on the continuing trade relationship and more likely to be amenable on other issues to avoid disruptions to vital resource supplies.

4. Using resource rents to strengthen the domestic economy

An important lesson, even for autocratic regimes that aspire to little more than staying in power, is that their rule depends on domestic legitimacy, which rests heavily on economic stability and employment opportunities for the population. To that end, rentier states may turn to a variety of economic instruments, including sovereign wealth funds and state-owned enterprises as vehicles for shoring up their economies, with the ultimate goal of ensuring regime survival through legitimization in the eyes of both the domestic population and the international community.

Sovereign wealth funds (SWF) are effectively state-owned holding companies, and they have become a favorite financial management vehicle for rentier states to achieve economic stability. In mid-2013, these state-sponsored capital pools were estimated to hold “between \$3 trillion and \$5.9 trillion of assets” worldwide, compared with \$2.4 trillion held by private hedge funds.⁷¹ SWFs hold ownership in state-owned enterprises, indirectly employing a large number of citizens, and serve as a financial buffer for the purpose of providing social welfare and reacting to economic volatility.

⁷⁰ Ibid., 85.

⁷¹ Blackwill and Harris, *War by Other Means*, 54–55.

Often professionally managed, these funds are usually driven by profit motives, although they also serve the political purpose of strengthening the state's legitimacy by building up the population's confidence in the regime's ability to rule.⁷² Over the last two decades, state-owned enterprises around the world that convert resources into revenue have transformed from mere "domestic employment vehicles" to some of the world's largest corporations, backed by immense state-owned capital. While they retain the undesirable feature of being much less efficient than private firms, they are nonetheless useful as politically pliant and dependable sources of employment.⁷³

Rentier states that are successful in developing their economy also tend to divest revenue from natural resource production into other sectors. This economic diversification is an important hedge against the volatility of the commodities market and is another method to ensure economic stability in the long run. Regimes may employ SWFs for this purpose by injecting rent revenue into an SWF and then using its function as a holding company to invest in other state or privately owned enterprises, but this type of investment alone is not enough for diversification. Since initially the state's revenue stream is most heavily dependent on natural resource production, most likely the heaviest investments in infrastructure, technology, and education are geared toward fulfilling the requirements of that industry. However, to successfully diversify the economy, the state must also invest in similar areas of other industries, rather than simply pumping capital into firms. To deal with the lack of experience in these other nascent industries, the state may seek to employ foreign experts or purchase foreign technologies and, ideally, simultaneously invest in the training of a domestic workforce that will one day be able to take over management and operations.

Once a regime has stabilized the domestic economy through proper investment, development, and diversification strategies, it can tout its achievements and gain some important foreign policy assets: international recognition and independence. A measure of respect as a capable ruling regime means less scrutiny of its actions, and without

⁷² Ibid., 56.

⁷³ Ibid., 54.

having to rely on foreign financial assistance, the state can strike out on its own and freely conduct its international affairs.⁷⁴

D. RESEARCH DESIGN

This thesis evaluates Kazakhstan's geo-economic strategies as a pathway to power, focusing on the two cases of oil and uranium. Since there is a gap in the literature regarding the application of geo-economics to middle powers, this thesis also builds on the theory by applying geo-economics to Kazakhstan. The utility of this exercise is multi-dimensional, at once examining how a middle power uses its resources to gain power while also addressing a gap in the literature regarding nations leveraging natural resources other than oil and gas for power.

The single case of Kazakhstan is appropriate for the scope of this thesis, given the space limitation and the expansive amount of information to cover. This thesis focuses on Kazakhstan for several reasons. First, Kazakhstan is located at the Eurasian intersection between several major powers of high interest to international relations theory: its former master Russia, a rapidly rising China, and an uncertain West. Kazakhstan's relationship with all of these players presents an illustrative look at how states behave in the multipolar world. Second, Kazakhstan has been unusually successful among post-Soviet republics in both economic development and building international power and recognition, especially compared with other Central Asian states such as Uzbekistan and Turkmenistan, which are also endowed with natural resources. Kazakhstan's successes and pitfalls could serve as a model or caution for other rising states. Third, the comparison between Kazakhstan's oil and uranium industries allows for an observation on whether geo-economic strategies can apply to non-hydrocarbon resources that feature much less extensively in the resource politics literature. Finally, uranium receives attention in the political science field mostly as nuclear weapons material, while its status as a non-fossil fuel energy source that emits little greenhouse gas may raise its importance in the years to come.

⁷⁴ Blackwill and Harris, *War by Other Means*, 41.

This thesis references a range of source material. Nazarbayev's biographies give indications of the aspirational aims, national identity, and philosophical directions that constitutes Kazakhstan's policies and goals. Works on the history of Kazakhstan's oil and pipeline industry will inform the dynamics of its resource use, with current news articles supplementing with more updated information. Information regarding Kazakhstan's uranium industry and its connection with national power will come from industry reports, including production data, and news reports on recent trends. While the literature has documented Kazakhstan's oil and pipeline industries and their contribution to national power, few have explored the connection between the uranium industry and power. Based on existing Kazakhstani attitudes, policies, and institutions, this thesis will triangulate on the nature of this nexus and project Kazakhstan's future behavior toward the uranium resource market.

E. THESIS OVERVIEW

This thesis contains five chapters. Following this introduction, the second chapter presents a brief historical overview of Kazakhstan, focusing on its relationship with Russia before and during the Soviet period to contextualize Nazarbayev's later policy choices.

Chapter III explains why Kazakhstan turned away from the realist logic of using military strength to achieve security, which should be a state's ultimate goal. This choice was rooted in Kazakhstan's history as the abused testing ground of Soviet weapons programs. The chapter also explores how Kazakhstan uses its military and security alliances, not as means of violence but means of building diplomatic ties.

Chapter IV, on Kazakhstan's oil, pipeline, and the uranium industries, is the crux of the thesis. This chapter is an account of the strategies that Nazarbayev employed to turn Kazakhstan's mineral resources and geography into sources of power. A detailed analysis of the politics, business deals, challenges, and how Kazakhstan uses its mineral resources to build power results in the bulk of the answer to the research question. The oil and the uranium sections are similar in their common aim to study the connection between Kazakhstan's mineral industries and its power-building policymaking. However,

since the analysis of the uranium case within the existing literature is rare, the uranium section draws on the framework learned through studying the oil industry to reach an informed conclusion.

Finally, the concluding chapter brings together the knowledge gained through the thesis. The chapter evaluates the thesis's contributions to the middle power and natural resource literatures. Looking forward, the chapter also considers policy implications for the U.S.–Kazakhstan relationship, lays out some serious challenges that still face Kazakhstan and Nazarbayev, and recommends future research directions.

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II. BACKGROUND: A BRIEF HISTORY ON THE STEPPES

A visit into Kazakhstan’s past is necessary to understand Nazarbayev’s drive to blaze his own trail on the international stage and the policy choices he has undertaken. A remote yet vulnerable geography, the lack of unifying national identity, and subjugation under foreign powers are several interrelated and mutually reinforcing challenges that have dominated Kazakhstan’s history, and, for Nazarbayev to succeed, he had to overcome, or at least manage, all of them.

A. GEOGRAPHY

For most of its history, geography has isolated much of Central Asia from the outside world. This landlocked region, within which Kazakhstan is the largest country in the modern era, is “enclosed by mountains on its east and south, by desert and arid steppe along most of the northern areas, and by the Caspian Sea on the west.”⁷⁵ The Dzungarian gate, located in northeastern Kazakhstan, has historically been a transit corridor, serving as the lifeline of the region by bringing in nomadic herders and trading caravans along the Silk Road, but also as the spillway through which foreign conquerors poured onto the steppes.⁷⁶

The remoteness of the Kazakh steppe has not created a united identity among its inhabitants. Situated along both trade routes and conquered plains, Central Asia has taken on multiple overlapping cultural layers, including the Turk–Persian, the Islamic, and later the Mongolian. Political divisiveness has been the norm, except for the short-lived political unity under the Mongols until Genghiz Khan divided the region into vassal states for his sons prior to his death in 1227 AD. As a result, each era of various dominant cultures left behind a palimpsest of influence but not a definitive identity.⁷⁷

Subjugation under foreign powers has been a constant reality for Kazakhs. The most recent iteration came with imperial Russia in the eighteenth and nineteenth

⁷⁵ Cummings, *Understanding Central Asia*, 15.

⁷⁶ Ibid.

⁷⁷ Ibid., 17, 18.

centuries. In perhaps a foreshadowing of Nazarbayev’s balancing approach to foreign policy, the Russians first gained significant influence during their expansion south- and eastward into Central Asia when Kazakh tribes sought their protection from the eastern Dzungarian Oirat tribes between 1680 and 1760. By the early nineteenth century, the Russian Empire had incorporated most of the Kazakh tribes, and mutual ties grew with increasing trade between the two cultures.⁷⁸

B. UNDER THE TSARS AND SOVIETS

Russian, and later the Soviet Union, came to embody all three thematic challenges that have long faced the Kazakhs. The 4,253 mile (6,846 km) long Kazakhstan-Russian border—“the longest single-segment land border in the world”—made establishing trade connections easier, but maintaining comprehensive border controls more difficult.⁷⁹ As is true for all countries, “[they] can choose their friends but not their neighbors.”⁸⁰ The status and identity of the Kazakh people under Russian rule was constantly in flux. When the *khans* (chieftains) of the Small and Middle Kazakh *Zhuzes* (commonly termed hordes, or large tribal groups) swore allegiance to the Russian tsars in 1731 and 1740, they did not anticipate the level of colonization and intermixing that would occur as a protectorate.⁸¹ For its part, the Russian Empire ruled pragmatically through local authorities rather than directly. In the process, the empire empowered a class of local elites with entrenched interests in the political culture, even to the present day.⁸²

The Russian empire, and the Soviet Union initially, ruled the whole of Central Asia as a massive region called Turkestan. The modern republic of Kazakhstan did not come to be until the Soviet program of “National-Territorial Delimitation” between 1924 and 1936, when the Soviet Union divided itself into 15 republics, each named after the titular ethnic group. For the first time in Central Asia, territorial and ethnic borders became officially congruent, and by the end of the 1920s, the Soviets had allowed for

⁷⁸ Cummings, *Understanding Central Asia*, 35.

⁷⁹ Ibid., 20.

⁸⁰ Khanna, *The Second World*, xxvii.

⁸¹ Olcott, *Kazakhstan*, 12.

⁸² Cummings, *Understanding Central Asia*, 36, 37.

childhood education in the population's national language, although Russian remained the *lingua franca* among the republics. However, instead of an empowering project, this was actually a Bolshevik plan to use ethnicity for the purpose of socio-political transformation. By officially designating ethnic groups, the Soviets could distribute goods and resources, including employment, to more favored groups. By separating similar regional ethnicities with territorial borders and co-opting the participation of local elites within those boundaries, the Soviets implemented a "divide-and-rule" policy that preempted wider pan-identity—such as pan-Turkism or all-Muslim—agitation.⁸³

Nazarbayev's decision to distance Kazakhstan from Russia after independence is understandable against the backdrop of decades spent within the Soviet Union and under Moscow's thumb. The Kazakhs have had longstanding grievances against their Russian overlords. In the 1890s, policies favoring ethnic Russians settlers over Kazakh nomads in the redistribution of fertile land led to widespread famine. Following a 1916 anti-Russian uprising, the deportation of "hundreds of thousands of Kazakhs" caused another similar tragedy.⁸⁴ Yet, if life under Russian imperial rule was harsh, Soviet governance was downright catastrophic. Inside the Soviet machine, Kazakhstan's role was "a supplier of raw materials, foodstuffs, and military production."⁸⁵ In the early 1930s, Stalin's terror famine (голодомор) and agricultural collectivization policies wiped out four to six million Kazakhs, or a quarter of Kazakhstan's population.⁸⁶ During Stalin's purges, Kazakhstan became the dumping ground of undesirables; ethnic minorities and those considered political threats to Stalin's stranglehold on power were exiled en masse to the desolate steppes of the far away hinterland, where they had nowhere to run and could cause no problems. In the 1960s, Khrushchev's Virgin Lands agricultural programs meant to jumpstart the food production industry by turning the Kazakh steppe into the

⁸³ Cummings, *Understanding Central Asia*, 37, 38–39, 40.

⁸⁴ Olcott, *Kazakhstan*, 12–13.

⁸⁵ Daniel Yergin, *The Quest: Energy, Security, and the Remaking of the Modern World* (New York: The Penguin Press, 2011), 65.

⁸⁶ Olcott, *Kazakhstan*, 13.

“Soviet Union’s breadbasket.”⁸⁷ The project ended in failure due to the gross mismanagement of Kazakhstan’s natural resources and human capital.

The untapped wealth of fossil-fuel reserves and deposits of various minerals in Kazakhstan could have powered a much more robust economy. Indeed, Soviet geologists had boasted that “Kazakhstan was capable of exporting the entire periodic table of elements.”⁸⁸ Yet such economic expansion was not to be, as Moscow remotely micromanaged Central Asia’s economies through a “spoke and wheel” model that linked each republic directly to the faraway center of Soviet power, but not with other potential regional and international trading partners. The Kazakhstani fossil fuel industry under the Soviets most clearly illustrated this relationship: Moscow deliberately prohibited Kazakhstan from refining its own crude oil, forcing all oil and gas pipelines to transit northbound through Russian territory instead of more directly to other regional markets.⁸⁹ Such forced dependency crippled economic development in the region, and Kazakhstan had little choice but to give up its natural resources without receiving a commensurate return in investment.⁹⁰

Besides political and economic subjugation, Moscow also decided to ravage Kazakh land through its nuclear, biological, and chemical weapons development and testing programs. This dark period in Kazakhstan’s history will receive a fuller treatment in the next chapter on Kazakhstan’s security policies, but it suffices to say that the Kazakh experience with Soviet weapons programs had a large impact in shaping Nazarbayev’s choice to marginalize military strength as a source of building power.

C. AFTER INDEPENDENCE

For international observers in 1992, Kazakhstan’s current success would have been nothing short of astonishing. The nascent state appeared to be heading toward implosion under the combined stress of hyperinflation (reaching a height of 2,600 percent

⁸⁷ Cummings, *Understanding Central Asia*, 47.

⁸⁸ Olcott, *Kazakhstan*, 10.

⁸⁹ Cummings, *Understanding Central Asia*, 47, 121.

⁹⁰ Martha Brill Olcott, *Central Asia’s New States* (Washington, D.C.: United States Institute of Peace, 1996), 65.

per annum), unsecured borders, a diplomatically hostile Moscow, and national identity crisis.⁹¹ Many Russians, perhaps justifiably, did not even consider Kazakhstan to be a true nation-state. By the 1980s, ethnic Kazakhs made up only 29 percent of the population, while Russians were the largest group at 34 percent.⁹² More than two million ethnic Russians and 400,000 Germans, fearing economic ruin and Kazakh domination, departed soon after independence, taking with them technical and managerial expertise. The remainder of the population consisted of “over 50 other nationalities,” mostly groups that were exiled or transplanted during Stalin’s purges and then Khrushchev’s Virgin Lands policies.⁹³ North of the border, Russian calls to re-absorb at least parts of Kazakhstan into a new Soviet Union came from both the right-wing politician Vladimir Zhirinovsky and the venerated activist writer Alexandre Solzhenitsyn, who himself had endured a stint in a Kazakhstani Gulag.⁹⁴ Internally, nationalist voices sought to create a constitution that gave full political rights to only native Kazakhs.⁹⁵ From both within and without, Kazakhstan faced a real possibility of disintegrating.

Remarkably, the new president Nazarbayev—an ethnic Kazakh and former Soviet apparatchik—resisted the pull toward either extreme and set out to build legitimacy around a new national identity and political framework, strengthening his presidential regime in the process. At home, concerned about risking a major schism in public opinion, he ceded a political victory in 1993 to the Parliament in the debate over the new constitution. Yet he also turned the defeat into a public relations boost by placing the responsibility on the Parliament for failing to include more civil rights protection in the document.⁹⁶ In an effort to hold together the Kazakhstani “ethnic mosaic” in the face of the massive Russian and German exodus, he championed a pan-Kazakhstani identity over

⁹¹ Aitken, *Nazarbayev*, 113, 114.

⁹² Ibid., 118.

⁹³ Ibid., 113, 120.

⁹⁴ Ibid., 119; Olcott, *Central Asia’s New States*, 60.

⁹⁵ Aitken, *Nazarbayev*, 119.

⁹⁶ Ibid., 123.

individual ethnic group loyalties, even rebuking his staff members for placing too much weight on ethnic origins.⁹⁷

Nevertheless, displays of nationalist unity were insufficient to hold Kazakhstan together without arresting the freefalling economy, and on this front, Kazakhstan's success has shifted both the economic and geopolitical landscape of Central Asia. In the early 1990s, over 90 percent of Kazakhstan's trade was with Russia, and the ruble was still the official currency.⁹⁸ This disproportionate dependence on Russia presented significant challenges, especially while Russia was itself battling economic troubles at home. Gosbank, the Russian state bank, had a monopoly on printing ruble bank notes, and sustaining Kazakhstan's cash flow was low on the bank's priority list. Without a reliable money supply, the Kazakhstani government faced widespread anger over suspended wages and pensions, while the country's commerce and financial activities stalled.⁹⁹ This economic crisis encouraged political opposition to Nazarbayev's government, especially Kazakh nationalists who advocated policies that would have irritated Russia.¹⁰⁰

Nazarbayev implemented several measures that would have lasting effects on Kazakhstan's economic and foreign policy. First, Nazarbayev was forced to depart the ruble zone and introduce a new currency, the tenge.¹⁰¹ Second, Nazarbayev established a group of young political and economic advisors that would bring about reforms based on previously radical ideas such as supply-side economics, privatization, and the free market.¹⁰² Finally, Russia's general disdain of Kazakhstan and the view—not wholly unfair—that it was subsidizing Kazakhstan's economy convinced Nazarbayev of the need

⁹⁷ Aitken, *Nazarbayev*, 118, 120.

⁹⁸ Ibid., 113, 114.

⁹⁹ Ibid., 114; Olcott, *Central Asia's New States*, 67.

¹⁰⁰ Olcott, *Central Asia's New States*, 68.

¹⁰¹ Aitken, *Nazarbayev*, 118; Olcott, *Central Asia's New States*, 63, 64.

¹⁰² Aitken, *Nazarbayev*, 114–15.

to back away from Russia’s sphere of influence without alarming Moscow, or risk falling back into its subservient position of the Soviet era.¹⁰³

Having experienced a history full of oppression and disappointment under Russian hegemony, following independence, Nazarbayev laid out a vision that aimed to transcend his nation’s troubled past. Instead of fighting Kazakhstan’s history and geography, Nazarbayev embraced and integrated them into a new strategic future, which he termed Eurasianism (Евразийство). At the core of this idea lies the acceptance that Kazakhstan is situated historically and geographically in the remote Silk Road trading corridor that once connected the vast expanses of Asia and Europe.¹⁰⁴ Meanwhile, realizing that he is squeezed between multiple great powers, each vying for a piece of Kazakhstan’s resource pie, Nazarbayev advanced a “multi-vector” foreign policy that seeks to maintain good relations yet eschews complete alignment with—or domination by—any outside power.¹⁰⁵ He aspired less to emulate the successes of the great powers than the economic miracle that Lee Kuan Yew was able to create in the tiny city-state of Singapore. Believing that there is “no one model of governance” for all nations, Nazarbayev proclaimed that Kazakhstan would never again be “an appendage.”¹⁰⁶ To fulfill this vision, the new state first had to wrestle with a thorny vestige of its Soviet legacy: What was to be done with the military forces and weapons inherited from the empire?

¹⁰³ Aitken, *Nazarbayev*, 127, 117; Olcott, *Central Asia’s New States*, 83.

¹⁰⁴ Cummings, *Understanding Central Asia*, 109.

¹⁰⁵ Khanna, *The Second World*, 86.

¹⁰⁶ Bruce Pannier, “Nazarbayev’s Exit Strategy,” Majlis, Radio Free Europe/Radio Liberty, podcast audio, January 28, 2017, <http://www.rferl.org/a/28264876.html>; Yergin, *The Quest*, 66.

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III. MILITARY AND SECURITY: MIGHT IS NOT RIGHT

From the realist perspective in international relations, a strong military is the ultimate form of power. Waltz views security as the “highest end,” while Mearsheimer theorizes that other forms of state power are merely “latent” in nature and serve the purpose of building military strength.¹⁰⁷ This chapter demonstrates that, following independence, Kazakhstan chose to turn away from such a militaristic logic. This choice was the result of a combination of path dependency and agency, driven by pragmatism as much as idealism. Even though Kazakhstan was in a precarious position security-wise, its tragic experience as part of the Soviet Union’s weapons programs and the weakness of its military forces after independence encouraged Nazarbayev to deliberately de-emphasize an aggressive military posture as part of Kazakhstan’s strategy to gain international power. Through a more nuanced approach than simply choosing between aggression and pacifism, Kazakhstan has used its military’s non-violent participation in multiple international security institutions as a diplomatic tool to build multilateral ties, while boosting its own image as a respectable international partner in peace.

A. A DECIMATED LAND

Kazakhstan “suffered as a Cold War proving ground and arms depot” for the Soviet Union, as the Soviets spread test sites and factories for nuclear, chemical, and biological weapons across the vast and remote steppe.¹⁰⁸ From 1949 until Gorbachev’s 1985 unilateral moratorium on nuclear weapons testing—an ill-fated bid to put a stop to Reagan’s Strategic Defense Initiative—the Soviet Union conducted 456 nuclear explosions at the test site near Semipalatinsk (present day Semey) in northeastern Kazakhstan, making it the Soviet equivalent to the United States’ Nevada Test Site.¹⁰⁹ These detonations included 86 in the air, 30 at ground surface, and 340 in underground

¹⁰⁷ Waltz, *Theory of International Politics*, 126, 107; Mearsheimer, *The Tragedy of Great Power Politics*, 55.

¹⁰⁸ David E. Hoffman, *The Dead Hand: The Untold Story of the Cold War Arms Race and Its Dangerous Legacy* (New York: Doubleday, 2009), 440.

¹⁰⁹ Ibid., 254–255, 256, 440.

tunnels and boreholes, and fallout contamination poisoned the region, reaching as far as the city of Ust-Kamenogorsk, 140 miles away. Missile tests were launched from the Scientific Research Test Range No. 5 at Tyuratam, which became the famous Baikonur space complex.

The Soviet Union's abuse of Kazakhstani territory extended beyond the nuclear variety. Disregarding the 1925 Geneva Protocol, which prohibits the wartime use of both chemical and biological weapons, and the 1975 Biological Weapons Convention, the Soviet Union secretly continued these types of weapons programs, often using remote locations in Kazakhstan as testing grounds.¹¹⁰ In Pavlodar, on the banks of the Irtysh River, a dual-purpose chemical plant stood at the ready to produce weapons in case of war mobilization. Biological weapons testing on Vozrozhdeniye ("Rebirth") Island in the Aral Sea began as early as 1937, and testing restarted after World War II. In mid-July 1971, following an explosive testing of "a mere 400 grams" of smallpox pathogen, a civilian research vessel collecting samples for ecological damage survey became contaminated after sailing within 15 kilometers of the island. The resulting outbreak killed three residents, including two infants, in nearby Aralsk.¹¹¹ The Soviet military also produced weaponized bubonic plague at the rate of "two metric tons a year" and conducted testing on baboons on the island as late as 1989.¹¹²

Following an anthrax outbreak in the Russian city of Sverdlovsk (present day Yekaterinburg) in April 1979, in which 40 to 60 people died, Brezhnev approved the relocation of the biological weapons facility to Stepnogorsk, a remote desert town in northern Kazakhstan.¹¹³ To guard against intrusion and contamination due to leakage, workers stripped the surrounding landscape of vegetation at the new facility, nine miles outside of town.¹¹⁴ At this facility, headed by Ken Alibek, an ethnic Kazakh military

¹¹⁰ Hoffman, *The Dead Hand*, 128–129; U.S. Department of State, "Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases, and of Bacteriological Methods of Warfare (Geneva Protocol)," accessed May 14, 2017, <https://www.state.gov/t/isn/4784.htm>.

¹¹¹ Hoffman, *The Dead Hand*, 127–128, 119.

¹¹² Ibid., 334. Disclosed by Soviet defector Pasechnik.

¹¹³ Ibid., 135, 139, 479.

¹¹⁴ Ibid., 141.

doctor, the Soviet military manufactured weaponized anthrax that was three times more potent than previously achieved, at the frantic rate of two tons per day. Under the stressful conditions and often neglectful attitudes of superiors, workers there suffered from accidents that “happened every week,” including anthrax infections.¹¹⁵ The collapse of the Soviet Union left behind “tons of anthrax bacteria spores, buried on Vozrozhdeniye Island.”¹¹⁶

Nazarbayev cites his early life experiences as formative in his distaste toward weapons production and testing in Kazakhstan. While working as a steelmaker in his youth, he traveled to an area near the Semipalatinsk Polygon test site and first became aware of the horror facing the local residents, almost all of whom were ethnic Kazakhs. Later, he struck a lifelong friendship with a fellow metallurgy student whose family lived at the foothills of a mountain within the testing ground. Multiple members of this family suffered from radiation aftereffects in the form of mental retardation, radiation sores, and death by leukemia.¹¹⁷ According to his biographer, Nazarbayev had long been emotionally affected by Soviet weapons testing on Kazakh land, which heavily influenced his decision later on as president in deciding the future course of action regarding these programs.¹¹⁸

B. DISARMAMENT: IDEALISM OR PRAGMATISM?

As the young country’s new ethnic Kazakh leader, Nazarbayev struggled to form a cohesive national identity for his fractious multiethnic population. Part of that process was to break with the Soviet legacy of weapons programs, which had so decimated Kazakhstan’s landscape and poisoned its people. After the USSR fell, Kazakhstan inherited was “the world’s fourth-largest…arsenal, including 104 SS-18 intercontinental ballistic missiles with ten warheads each.”¹¹⁹ Interestingly, much like Ukraine and Belarus, Kazakhstan received a telephone “hot line” from Russia but not the “Cheget”

¹¹⁵ Hoffman, *The Dead Hand*, 139, 299–300.

¹¹⁶ Ibid., 400.

¹¹⁷ Aitken, *Nazarbayev*, 130, 129.

¹¹⁸ Ibid.

¹¹⁹ Hoffman, *The Dead Hand*, 441.

nuclear briefcase or launch authority.¹²⁰ In other words, Moscow deprived the Kazakhstani people of both the ability to resist the harm that these weapons imposed on them and the authority to control their use. Thus, eliminating the weapons was a sound political option that would at once establish Kazakhstan's new image as a non-nuclear power and unite the population behind the regime that addressed a significant historical collective grievance. Disarmament, it turned out, was as much a politically pragmatic decision as a morally idealistic one.

Nevertheless, there were still outsized benefits to retaining the strategic nuclear weapons and, even if Nazarbayev himself was committed to disarmament, he understood Kazakhstan's complex political position and troubled economic conditions well enough to tread carefully. First, Kazakhstan's uneasy relationships and latent territorial disputes with neighboring nuclear powers Russia and China made nuclear weapons an attractive insurance policy. Second, the prestige and international standing of being a nuclear power was tempting to a young nation that had long experienced foreign repression and was still struggling to find its independent identity.¹²¹ Factional voices were also quickly emerging to convince Nazarbayev to take various routes with his nuclear inheritance. Internationally, while western countries were anxious to push Kazakhstan into giving up its nuclear weapons, the Arab world also sent envoys urging Nazarbayev to retain "an Islamic bomb," even offering "\$6 billion [U.S.] to defray the maintenance costs."¹²² Domestically, the Kazakh political elite was divided between hawks who wanted to permanently maintain nuclear deterrence, bargainers who saw short term retention of nuclear weapons as a useful currency to exchange for future security guarantees, and doves who "demanded immediate, unilateral, and total nuclear disarmament."¹²³

To the extent that Nazarbayev personally leaned toward disarmament, he also behaved like a transactional politician. He admitted early on, during negotiations with western leaders, that even though Kazakhstan had no aspiration to join the nuclear

¹²⁰ Hoffman, *The Dead Hand*, 398.

¹²¹ Shireen T. Hunter, *Central Asia Since Independence* (Westport, CT: Praeger, 1996), 119–120.

¹²² Aitken, *Nazarbayev*, 140.

¹²³ Ibid., 129, 137–138.

powers club, having taken into account the technical difficulties, cost, and his personal opposition to weapons of mass destruction, he was also unwilling to relinquish control of these weapons without receiving anything of value in return. His primary concern was security across the 3,500-mile Russian–Kazakhstani border, but he also desired “international recognition, respectability, [and] investment.” Turning Kazakhstan into a nuclear pariah ran contrary to those goals.¹²⁴ In this respect, he belonged in the bargainers’ camp among the Kazakhstani elite.

Negotiations over nuclear disarmament gave Kazakhstan the rare chance to build a different type of relationship with the West than was possible while it was a Soviet republic. Whereas previously the West had little regard for the entire Central Asia region that was hidden far behind the Iron Curtain, the threat of widespread nuclear proliferation out of Kazakhstan was attracting intense high-level attention, especially from the United States. Incidentally, Kazakhstan’s frail political and economic conditions actually worked to its advantage vis-à-vis the outside powers that were eager to incentivize Kazakhstan’s disarmament. Nazarbayev saw an opportunity to walk out of the Soviet shadow and take a seat at the table with leaders of major international powers.

Fearing widespread proliferation, following this unprecedented disintegration of a nuclear power, American Senators Nunn and Lugar launched the very successful Cooperative Threat Reduction program, which provided funds and technical assistance to the struggling former Soviet republics to “cope with [their] inheritance from hell.”¹²⁵ Kazakhstan, Ukraine, and Belarus signed the Lisbon Protocol to the Strategic Arms Reduction Talks (START) on May 23, 1992, and Kazakhstan also joined the Non-Proliferation Treaty (NPT) as a non-nuclear member. In December 1994, multilateral negotiations on Kazakhstan’s security concerns also resulted in the Budapest Memorandum on Security Guarantees, in which the United States, Great Britain, and Russia all agreed to respect Kazakhstan’s sovereign and borders and refrain from using

¹²⁴ Aitken, *Nazarbayev*, 139, 140.

¹²⁵ Hoffman, *The Dead Hand*, 478.

any military or economic means against the republic.¹²⁶ On March 31, 1995, technicians dismantled the last nuclear warhead in Kazakhstan, and the country has committed to being nuclear-free ever since.¹²⁷

Cooperation with the West has also brought the investment and prestige that Nazarbayev craved. After a low-level former Soviet official disclosed to the U.S. State Department that 600 kilograms of 90 percent highly enriched uranium were haphazardly stored at a plant in Ust-Kamenogorsk, the Americans began to deliberate on possible options. They finally decided to launch a tiger team under the code name Project Sapphire to physically remove the material from the country, rather than securing it in place, largely because “no one knew what would happen … to Kazakhstan in a few years.”¹²⁸ For his part, Nazarbayev’s ready agreement in allowing the operation to proceed, albeit discretely, earned him warm praise from President Clinton, who announced during a visit at the White House that the United States would triple its aid to the cash-strapped republic. Without officially acknowledging uranium as a prime impetus, more than \$311 million would flow into Kazakhstan as Nazarbayev secured his reputation as a trustworthy ally in the nonproliferation cause.

C. NON-AGGRESSION IN AN INSECURE WORLD

While Kazakhstan has perceived itself to be under potential security threats from multiple sides, the most serious of which comes from Russia in the north, it has chosen to respond non-aggressively. Although Russia lacks the resources to reintegrate the Central Asian states under a new version of the Soviet Union, it is still committed to retaining the region under its traditional sphere of influence. The strategic significance of the region, in terms of its position as the junction between Russia and China and the “interface between

¹²⁶ Murat Laumulin, “Political Aspects of Kazakhstan’s Nuclear Policies,” *The Nonproliferation Review* 3, no. 1 (1995): 87, doi: 10.1080/10736709508436612.

¹²⁷ Hunter, *Central Asia*, 120.

¹²⁸ Hoffman, *The Dead Hand*, 441, 447.

Russia and the Islamic world,” as well as its natural resources, guarantees that Russia will continue to try to retain its foothold in Central Asia.¹²⁹

Threats from other directions also worry the region’s leaders. To the east, although economic relationships with China have grown by leaps and bounds, the instability in the rebellious western Chinese province of Xinjiang and large, difficult to control movement of migrants across long, porous borders present security concerns. To the south, violent conflicts, formerly in Tajikistan and currently in Afghanistan, threaten to destabilize the region, although Kazakhstan has the benefit of having the other Central Asian republics as buffer states from the troubles in Southwest Asia.¹³⁰

Given Kazakhstan’s security challenges, one would expect the state to build a large conventional military, especially as it accumulated more wealth; however, throughout Kazakhstan’s post-Soviet history, military expenditure has remained at around one percent of gross domestic product (GDP).¹³¹ The total size of the Kazakhstani military has also remained constant over its years of development (Table 1). It is telling that, in both Nazarbayev’s biography and memoir, there is no glorification or even mention of the Kazakhstani military. This omission could be a deliberate part of Nazarbayev’s campaign to build his image as a leader of peace. This policy is partly grounded in the reality that Kazakhstan and other Central Asian states inherited only fragments of the former Soviet Union’s military might and thus needed much time and resources to improve their forces’ capabilities.¹³² Another significant factor discouraging Kazakhstan from developing a large military is the overwhelming relative strength of the

¹²⁹ Christoph Bluth and Oumirserik Kassenov, “The ‘Game of Security in Central Asia,’ in *The Euro-Asian World*, ed. Yelena Kalyuzhnova and Dov Lynch (New York: St. Martin’s Press, 2000), 29.

¹³⁰ Ibid.

¹³¹ As Kazakhstan’s GDP grew with its oil wealth, military expenditure has increased accordingly in absolute terms, but the constant percentage is an indication of stable budget priorities. Reference “Central Asia: Kazakhstan,” The World Factbook, Central Intelligence Agency (CIA), January 12, 2017, <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>; “Military expenditure (% of GDP),” The World Bank, accessed March 1, 2017, <http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS?contextual=default&locations=KZ>; IndexMundi, “Kazakhstan – Military Expenditure,” accessed March 1, 2017, <http://www.indexmundi.com/facts/kazakhstan/military-expenditure>.

¹³² Bluth and Kassenov, “The Game of Security,” 31.

Russian military, which at once deters Central Asian states from assuming an aggressive posture and incentivizes them to depend on Russia as the regional security guarantor.¹³³

Table 1. Personnel strength of Kazakhstani military services over time

	1995 ¹³⁴	2010 ¹³⁵
Army	25,000	30,000
Navy	Joint Caspian Sea flotilla with Russia and Turkmenistan	3,000
Air Force	15,000	12,000

D. PARTNER TO ALL, ALLY OF NONE

Rather than building up a massive military to secure its expansive territories and stave off potential aggressors, Kazakhstan has chosen to take on a multilateral, non-threatening approach to security. Nazarbayev took the unconventional step of diplomatically neutralizing the Russian threat by signing an agreement to merge Russian and Kazakhstani military forces in 1994; however, over time, this plan has proven to be a mere symbolic gesture as Kazakhstan continues to work toward independence from Russia.¹³⁶ Even though, like all Central Asian states, Kazakhstan has maintained a bilateral military agreement with Moscow, it has also refused to devote itself to just a single binding alliance.¹³⁷ As a balancing mechanism, Kazakhstan has joined several international security organizations, including those headed by the West, Russia, China, and within the Central Asian region.

¹³³ Hunter, *Central Asia*, 117.

¹³⁴ Ibid., 174

¹³⁵ Cummings, *Understanding Central Asia*, 59.

¹³⁶ Hunter, *Central Asia*, 63.

¹³⁷ Ibid., 117.

Kazakhstan's attitude toward joining security organizations is therefore consistent with the logic of Nazarbayev's multi-vector policy; that is, remaining friendly to all sides without being dominated by any one. After independence, Kazakhstan saw promise in the Commonwealth of Independent States (CIS), but for several reasons, the alliance fell into irrelevance by the mid-1990s. The CIS suffered from the lack of clearly developed goals and structure and Russia's tendency to see the pact as a proxy for its influence in the post-Soviet space.¹³⁸ Nazarbayev, despite wanting to see the CIS grow into a permanent, dependable security arrangement, lamented that "the desire to safeguard oneself against a return to the empire...outweighed all the rational agreements in favor of integration."¹³⁹

Kazakhstan's membership in the Collective Security Treaty Organization (CSTO) has likewise led to few concrete actions. Founded in May 2002, CSTO aimed to become NATO's counterpart in Eurasia, but its Collective Rapid Reaction Force (CRRF), which nominally includes 3,000–4,000 Kazakhstani troops, lost much of its credibility when it failed to intervene in response to ethnic violence in southern Kyrgyzstan.¹⁴⁰ Although Russia is the lead nation in CSTO, it is hard to see Kazakhstan willingly involve itself in a large-scale military operation on foreign soil.

Meanwhile, Kazakhstan began to build other international security links, joining the OSCE and NATO's Partnership for Peace (PfP) program.¹⁴¹ Participation in the OSCE, which is the only institution in which Kazakhstan and other Central Asian states "are represented on an equal basis" with Western Europe and Russia, has allowed Kazakhstan to bolster its sovereignty and territorial integrity, as well as enhance its economic development through diplomatic connections.¹⁴² As early as December 1991, NATO created the North Atlantic Cooperation Council (NACC), and all CIS countries became members, which allowed them an alternative avenue for security cooperation and closer ties with the West. Established in January 1994, PfP enabled members to take part

¹³⁸ Hunter, *Central Asia*, 107–111.

¹³⁹ Ibid., 110.

¹⁴⁰ Cooley, *Great Games, Local Rules*, 56, 57–58.

¹⁴¹ Hunter, *Central Asia*, 113–114.

¹⁴² Bluth and Kassenov, "The Game of Security," 41.

in military training and exercises, as well as sharing in peacekeeping responsibilities.¹⁴³ Kazakhstan has ostensibly taken the next step toward NATO membership by becoming the only Central Asian state that has volunteered to take part in the Individual Partnership Action Plan (IPAP). The level of commitment is admittedly low, consisting of designating the KAZBAT, an infantry battalion earmarked for potential deployment in peacekeeping operations, establishing a PfP regional training center in Kazakhstan, and cooperating with partner nations in military training activities.¹⁴⁴ Since the Russian military considers losing influence in Central Asia as “a threat to Russian state security,” Kazakhstan’s participation in IPAP should be viewed as a way to gain more trust from western powers rather than a full abandonment of its security ties with Russia. Therefore, a push toward full NATO membership is unlikely.¹⁴⁵ By utilizing its military only as peacekeepers through security cooperation efforts with the West, Kazakhstan can reap the dual benefits of gaining international trust and recognition, which would hopefully lead to foreign investments without infringing on Russia’s sensitivities about losing influence in Central Asia. At the same time, unlike other Central Asian republics that received funds, mainly from the United States, to host NATO military bases or supply transit routes after 9/11, Kazakhstan has become wealthy enough to reject such arrangements which might threaten relations with Russia and China.¹⁴⁶

Lastly, by joining China-led multilateral organizations, Kazakhstan has been able to gain security guarantees and attract investments from China with minimal military commitment. Attracted by the abundance of the region’s energy resources, starting in 1996, China strived to conclude border demarcation talks with Central Asian republics through the Shanghai Five forum, which alleviated one of Nazarbayev’s great security concerns.¹⁴⁷ The Shanghai Cooperation Organization (SCO), the successor organization, has within its charter the Chinese goal of combatting the “three evils”—terrorism,

¹⁴³ Hunter, *Central Asia*, 152.

¹⁴⁴ NATO, “Relations with Kazakhstan,” April 7, 2016, http://www.nato.int/cps/en/natohq/topics_49598.htm#.

¹⁴⁵ Bluth and Kassenov, “The Game of Security,” 36.

¹⁴⁶ Khanna, *The Second World*, 87.

¹⁴⁷ Cooley, *Great Games, Local Rules*, 20.

separatism, and extremism—which is politically convenient for Kazakhstan to get on board. Unlike Western organizations, however, China’s leadership in SCO is based on the non-interference principle that imposes no requirements on member states’ domestic policy.¹⁴⁸ Within this framework, Kazakhstan has been able to build ties with China that led to lucrative business deals without the political and military commitments that the West and Russia demand.

E. CONCLUSION

By internally balancing in a measured, non-threatening manner and demonstrating its willingness to be a peacekeeping partner without overcommitting its forces, Kazakhstan has demonstrated a nuanced way for a rising power to use its military and alliances to peacefully achieve its security objectives while gaining international influence. The zenith of this strategy’s success came in 2010, when Nazarbayev secured Kazakhstan’s chairmanship of the OSCE, and then again in 2016, when Kazakhstan became the first Central Asian state to secure a temporary seat on the United Nations Security Council.¹⁴⁹ This is a remarkable ascent for a new republic whose continued viability was in doubt just two decades ago, and it could not have been possible without strong economic development that both stabilized domestic politics and funded international connections. The next chapter explores the economic development policies that Nazarbayev implemented, and how Kazakhstan’s shrewd manipulation of its resource blessing and geographical curse resulted in the growth of domestic wealth and international power.

¹⁴⁸ Cooley, *Great Games, Local Rules*, 77.

¹⁴⁹ OSCE, “Kazakhstan Takes Over OSCE Chair”; Aigerim Toleukhanova, “Kazakhstan Secures Seat on UN Security Council,” Eurasianet.org, June 29, 2016, <http://www.eurasianet.org/node/79446>.

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IV. ECONOMY: THE GEOECONOMIC STRATEGIES

Since its independence, Kazakhstan has defied classical realism in its pursuit of security, independence, and power. Although sandwiched between major powers with thousands of miles of borders that are difficult to defend and a relatively small population with which to secure its territory, Kazakhstan has intentionally eschewed bulking up its military. Instead, it has chosen to develop its economy and build international connections, especially through the use of its natural resources and geography.

Kazakhstan is a good example of an aspiring middle power that struggles to use its natural resources to carve out a niche for itself. In its tight space between several major powers, Kazakhstan aims to gain international respect and freedom to maneuver in a complex and sometimes hostile neighborhood. This chapter demonstrates that Kazakhstan as a producer state views its natural resources as a means to power and not an end. Nazarbayev's regime has shrewdly taken advantage of consumer states' resource dependency and its own geopolitical positioning to build revenue streams and multilateral connections, with the strategic goal of gaining power and independence as part of its "multi-vector" foreign policy.

A. THROUGH A DIFFERENT LOOKING-GLASS

The field of geoeconomics provides a more comprehensive lens than geopolitics or economics alone for analyzing Kazakhstan's policy choices. As discussed in the literature review, geoeconomics is an international relations model that is based on economic competition but allows for win-win outcomes, and gives states not traditionally considered to be major powers an avenue to rise and even prosper vis-à-vis the great powers without resorting to force. Kazakhstan is a prime example of this development.

This chapter focuses on Kazakhstan's two most significant natural resource industries. The Caspian region's oil and gas industry since the end of the Soviet Union provides a historical view of Kazakhstan's geoeconomic policies, and it remains the biggest source of revenue for the country. More recently, Kazakhstan became the world's top exporter of uranium and, as the global economy shifts away from fossil fuels due to

concerns about climate change, this industry has the potential to rise to an even higher level of importance. A comparison of these industries reveals Kazakhstan's largely consistent approach to converting natural resources to international power, employing the following geoeconomic strategies to varying degrees:

1. Using business deals to strengthen the regime
2. Exploiting geographical positioning between major powers
3. Leveraging consumer states' dependence on foreign mineral resources
4. Using resource rents to strengthen the domestic economy

Strengthening the regime with business deals is the most consistently employed strategy between the two different resource types. Nazarbayev's regime uses commercial deals to bring in revenue, but, more importantly, these are tools for forging diplomatic relationships, which elevate the regime's international prestige. The next three strategies all feature more heavily in the oil and gas realm, but less so for uranium. Leveraging geography and consumer states' need for fossil fuel are both useful instruments that have allowed Kazakhstan to play off major powers off one another, freeing Nazarbayev to pursue his policy goals with less concern over external interference. The new multipolar structure of the international order, specifically with Russia's decline, China's rise, and the United States shifting its attention away from the post-Soviet space, leave more partnership options for smaller countries and enable Nazarbayev to successfully implement these strategies. Lastly, despite the authoritarian nature of his rule, Nazarbayev has not neglected to develop the domestic economy and improve the lives of ordinary citizens, partly because he realizes the importance of a supportive population to the stability of the regime, but also partly due to a genuine desire to elevate Kazakhstan's status. These geoeconomic strategies have produced the hallmark win-win outcomes for both Kazakhstan and its international partners, facilitating the republic's peaceful rise in the modern world.

B. OIL

1. A History of Neglect and Dependency

For centuries, locals and travelers in the Caspian Sea region have been aware of the presence of oil. As early as the thirteenth century, Marco Polo reported the presence of oil springs during his travels through the Silk Road.¹⁵⁰ The oil industry in present-day Kazakhstan dates back to the nineteenth century in the northern Caspian region, when the Russian Empire allowed private foreign interests to lease out oil fields for production, leading to an “eastern extension of the great Azeri boom” that established names such as Nobel and Rothschild as synonyms for unparalleled wealth.¹⁵¹ The relationship between local Kazakhs and the industry turned hostile at times, since the oil companies’ miners began to use water from the wells on which the former depended for their herds.¹⁵²

After the Revolution in 1917, the Bolsheviks seized privately held oil fields, and although for a time Lenin allowed Western investments under his “New Economic Policy,” Stalin’s power consolidation after Lenin’s death brought an end to large-scale foreign involvement in the Soviet oil industry.¹⁵³ The German threat to the Caspian oil fields during World War Two pushed Soviet oil production into the Volga-Urals heartland, but the Caspian fields remained crucial to the Soviet energy portfolio.¹⁵⁴ Since the time of the Russian Empire, Azerbaijan’s output, concentrated around Baku, dwarfed that of present-day Kazakhstan; however, the tables started to turn in the 1970s as the Baku fields saw a sharp decline in production, while Kazakhstani fields became more productive (Table 2). Nevertheless, Kazakhstan’s oil industry continued to suffer from

¹⁵⁰ Bülent Gökay, “History of Oil Development in the Caspian Basin,” in *Oil and Geopolitics in the Caspian Sea Region*, ed. Michael P. Croissant and Bülent Aras (Westport, CT: Praeger Publishers, 1999), 4.

¹⁵¹ Ibid., 7; Yergin, *The Quest*, 65.

¹⁵² Charles van der Leeuw, *Oil and Gas in the Caucasus and Caspian: A History* (New York: St. Martin’s Press, 2000), 83.

¹⁵³ Gökay, “History of Oil Development in the Caspian Basin,” 10–11.

¹⁵⁴ Ibid., 12.

Moscow's neglect despite its large untapped potential, even though oil was cheaper to extract on the eastern side of the Caspian.¹⁵⁵

Table 2. The increasing production of Kazakhstani oil in the Soviet Union, compared with Azerbaijan¹⁵⁶

Post-revolution Caucaso–Caspian Oil Output (million tons per year)			
	Azerbaijan	Kazakhstan	USSR Total
1930	10.6	0.35	18.45
1937	21.4	0.5	28.5
1945	11.55	0.8	19.45
1955	15.3	1.4	70.8
1965	21.5	2.0	242.9
1975	17.1	-	-
1989	13.8	22	-
1991	< 10	-	-

Furthermore, Moscow mandated that the periphery ship its raw materials to Russia for processing.¹⁵⁷ In the case of Kazakhstani oil, this meant that there was only one unidirectional pipeline that transported crude from the Kazakhstani city of Atyrau (formerly Guriev) on the productive northeastern Caspian shore to the Russian city of Samara for refining before reaching the European market.¹⁵⁸ A separate north-south pipeline lay in the eastern part of the republic and exclusively imported Russian oil from Siberia to the refineries in the northeastern Kazakhstani city of Pavlodar and to Shymkent

¹⁵⁵ Van der Leeuw, *Oil and Gas*, 116.

¹⁵⁶ Adapted from Van der Leeuw, *Oil and Gas*, 112, 111, 115.

¹⁵⁷ Cummings, *Understanding Central Asia*, 121.

¹⁵⁸ Richard Pomfret, "Kazakhstan's Economy since Independence: Does the Oil Boom Offer a Second Chance for Sustainable Development?" *Europe–Asia Studies* 57, no. 6 (September 2005): 861, doi: 10.1080/09668130500199467.

in the south.¹⁵⁹ Such an arrangement of infrastructure precluded Kazakhstan from fully integrating its own oil industry and reinforced its economic dependence on Moscow.

In hindsight, Nazarbayev's multi-vector policy may have taken root in the soil of the declining Soviet oil industry, which eventually allowed the entry of international players, especially American companies led by Chevron. Beginning in the 1960s, the industry stagnated with the rest of the Soviet economy, from lack of investment and technological innovation. By the 1980s, Gorbachev faced difficult Soviet economic realities but was pragmatic enough to attempt a revitalization of the industry by bringing in foreign investors. This rebellion against long-standing Soviet ideological and legal norms—after all, communism vilified the profit motive, and Soviet law prohibited Western firms from owning Soviet enterprises—set the stage for the multilateral strategy that Kazakhstan would employ during the post-Soviet years.¹⁶⁰

The western investment that Gorbachev desperately needed to develop the oil fields trickled in slowly until he met James Giffen, the American president of the U.S.–USSR trade council, who would remain influential well into Nazarbayev's rule. Giffen was in charge of recruiting American companies to invest in Soviet enterprises. In May 1985, he managed to first rope in Chevron, which was looking for overseas opportunities after losing its stakes in Saudi Arabia in the late 1970s, and then used the accomplishment to bring in more big-name investors. Just three months later, this group of investors received Gorbachev's blessing and formed the American Trade Consortium.¹⁶¹

Thus, Western interests began their return into the Eurasian energy industry as part of a precursor to the Washington Consensus-style market liberalization and privatization of state enterprises that would transform, for better or worse, former Soviet

¹⁵⁹ Jennifer DeLay, "The Caspian Oil Pipeline Tangle: A Steel Web of Confusion," in *Oil and Geopolitics in the Caspian Sea Region*, ed. Michael P. Croissant and Bülent Aras (Westport, CT: Praeger Publishers, 1999), 59.

¹⁶⁰ Yergin, *The Quest*, 65; Steve LeVine, *The Oil and the Glory: The Pursuit of Empire and Fortune on the Caspian Sea* (New York: Random House, 2007), 84.

¹⁶¹ LeVine, *The Oil and the Glory*, 83–88.

economies in the 1990s.¹⁶² Thereafter, a series of foreign companies, governments, and individuals would appear on the scene, and their eagerness for oil and profit would enable Kazakhstan's elites to play them off each other while extracting more favorable contractual terms and other benefits.¹⁶³

2. The Oil Fields

Kazakhstan's three largest oil fields all lie on the western Caspian region of the country, with Tengiz located on the northeast shore of the inland sea, Kashagan just offshore in the same area, and Karachaganak further north, on the Russian border (see Figure 2). This thesis primarily focuses on the Tengiz field, as the history surrounding its development is most relevant and illustrative of Nazarbayev's policymaking. Karachaganak is the oldest of the three major fields and was the only one put into production during the Soviet period. As a sign of the Soviet industry's dysfunction, the field was explored in the early 1960s but did not begin production until 1986.¹⁶⁴ Later on, for various reasons, the development of Tengiz and Kashagan also experienced significant delays.

¹⁶² Cummings, *Understanding Central Asia*, 122–123.

¹⁶³ Cooley, *Great Games, Local Rules*, 9.

¹⁶⁴ Compiled from Van der Leeuw, *Oil and Gas*, 127.

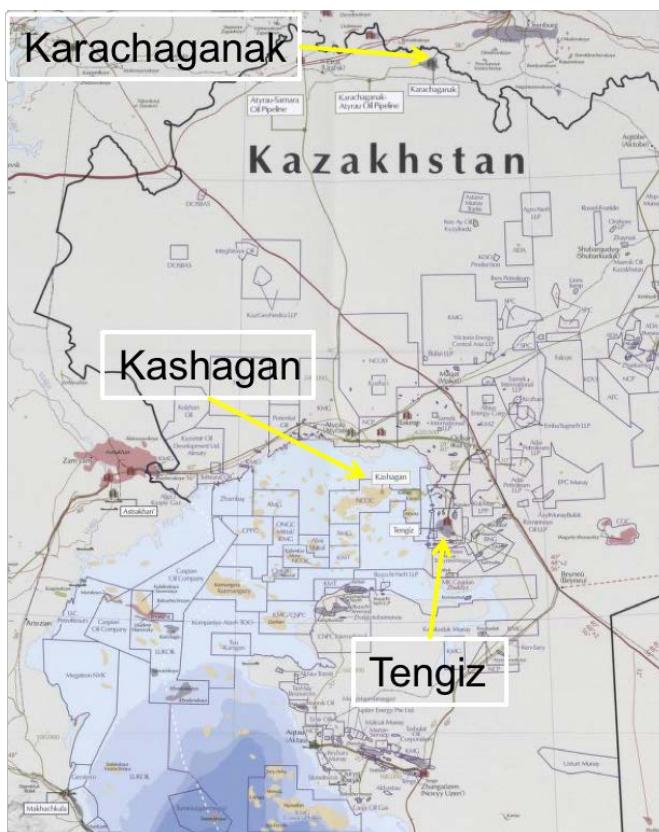


Figure 2. Kazakhstan's major oil fields¹⁶⁵

The Kazakh people, ever mindful of their history of oppression and the destruction of their environment under Moscow's control, firmly believe that the oil fields belong to them. The presence of these large oil fields on Kazakh land was also a point of pride, for it gained the republic a small measure of respect in Moscow when Russians generally regarded the republic with disdain.¹⁶⁶ These sentiments would prove politically useful to Nazarbayev during the tenuous period of the mid-1990s, as he battled Yeltsin to secure Tengiz for Kazakhstan and gain legitimacy for himself as its new ruler.

The Soviets also showed themselves to be ill-prepared to operate these large gusher fields. In 1985, an explosion at Well 37 of the recently opened Tengiz released a 700-foot tall column of flames into the sky, which was observed by U.S. spy satellites.

¹⁶⁵ Adapted from: CIA, "Oil and Gas Infrastructure in the Caspian Sea Region: March 2012," Library of Congress, accessed August 06, 2017, <https://www.loc.gov/item/2012585281>.

¹⁶⁶ LeVine, *The Oil and the Glory*, 97, 93, 98.

The USSR Ministry of Oil did not possess the equipment or knowledge to contain the disaster and, eventually, had to resort to requesting the assistance of American and Canadian experts. The secret was out; Kazakhstan was the site of some world-class oil reserves.¹⁶⁷

A Chevron engineer once remarked that Tengiz, discovered in 1979, was “a perfect oil field” and, judging from the numbers, the field’s initially estimated 10 billion barrels of recoverable reserves—among the top ten in the world—seemed to bear out that title.¹⁶⁸ After Gorbachev’s approval of the American Trade Consortium, Chevron set its sight on Tengiz as its preferred field; however, upon inspection, several undesirable qualities make the field less attractive. The field’s associated “sour gas” is laden with heavy concentrations of toxic and caustic hydrogen sulfide, the condition of the field was poor at the time from decades of neglect, and the location is remote and lacking transportation infrastructure. It soon became clear that Tengiz would be financially and technologically costly and dangerous to develop, but a determined Chevron eagerly signed a pact with the Soviets in June 1990, giving the company exclusive rights of negotiation on this field.¹⁶⁹ The collapse of the Soviet Empire unexpectedly voided Chevron’s deal, and both technical and political difficulties would delay Tengiz’s full production.

3. Implementing the “Multi-vector” Policy

In the early years of independence, Nazarbayev wrestled with a complicated web of issues. Faced with dilapidated infrastructure, technical brain drain, and a crumbling economy, the new Kazakh leader realized that Kazakhstan could not take advantage of its wealth of natural resources without outside help. Thus, he decided to stay the course of opening up to the West as previously undertaken by Gorbachev. There is certainly an argument to be made that Nazarbayev arrived at this policy due to a simple lack of options, but such determinism ignores the case of neighboring Turkmenistan, whose path

¹⁶⁷ Yergin, *The Quest*, 64.

¹⁶⁸ Ibid., 66.

¹⁶⁹ Ibid., 66–67.

of state and resource development diverged from Kazakhstan's multilateral engagement toward isolationist neutrality.¹⁷⁰ Although a full review is outside the scope of this thesis, Turkmenistan is an interesting case of another newly independent and resource-rich Central Asian republic that made a different choice: to wall itself off from Western influences and, indeed, most of the outside world. On the other hand, Nazarbayev's ambitions lay in achieving international prominence, so he welcomed any foreign corporations and investors who had the expertise and capital to help him use Kazakhstan's abundant but untapped black gold to build his new nation. The resulting lucrative success of this approach is evident in Kazakhstan's oil production numbers (Table 3), which were already the highest in the Caspian region near the end of the Soviet era but skyrocketed in the new millennium. Striking a new deal with Chevron would be the biggest of Nazarbayev's early victories.

Table 3. Production of crude oil in the Caspian region by country,
1985–2009¹⁷¹

a Oil 1985–99															
<i>Oil</i>	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Azerbaijan	13.2	13.1	13.9	13.7	13.2	12.5	11.8	11.2	10.3	9.6	9.2	9.1	9.0	11.4	13.9
Kazakhstan	22.7	23.3	24.1	25.0	25.4	25.8	26.6	25.8	23.0	20.3	20.6	23.0	25.8	25.9	30.1
Turkmenistan	6.8	6.6	6.5	5.7	5.8	5.7	5.4	5.2	4.4	4.2	4.1	4.4	5.4	6.4	7.1
Uzbekistan	2.3	2.5	2.7	2.4	2.7	2.8	2.8	3.3	4.0	5.5	7.6	7.6	7.9	8.2	8.1

b Oil 2000–9										
<i>Oil</i>	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Azerbaijan	14.1	15.0	15.4	15.5	15.6	22.4	32.5	42.8	44.7	50.6
Kazakhstan	35.3	40.1	48.2	52.4	60.6	62.6	66.1	68.4	72.0	78.0
Turkmenistan	7.2	8.0	9.0	10.0	9.6	9.5	9.2	9.8	10.2	10.2
Uzbekistan	7.5	7.2	7.2	7.1	6.6	5.4	5.4	4.9	4.8	4.5

¹⁷⁰ Overland and Torjesen, "Just Good Friends," 147.

¹⁷¹ Source: Richard Pomfret, "Oil and Power in the Caspian Region," in *Handbook of Oil Politics*, ed. Robert E. Looney (New York: Rutledge, 2012), 192.

Strategy 1: Using business deals to strengthen the regime

Kazakhstan's joint ventures in oil production and pipeline construction with foreign commercial actors have served both economic and diplomatic purposes for Kazakhstan. Besides generating rent payments and export revenue that enrich the regime, opening up Kazakhstan for business deals also helped to build diplomatic connections with western governments that strengthened Kazakhstan's position in the international community. Although he was the last leader of a Soviet republic to declare independence from the USSR, on December 16, 1991, Nazarbayev immediately began to move decisively toward greater autonomy from Russia. Expanding Kazakhstan's diplomatic horizons toward the West was crucial in balancing against Russia's influence.¹⁷² Early on, Nazarbayev demonstrated a willingness to work with whomever could help advance Kazakhstan's interests, and he proved to be a tough negotiator who could secure favorable terms from governments and companies alike.

After the original Soviet agreement with Chevron was voided by the USSR's collapse, Kazakhstan was now responsible for reaching its own deal with foreign firms to develop Tengiz, and Nazarbayev's regime displayed its capability early on in extracting lucrative benefits from foreign players on its turf. To facilitate the new negotiations, Nazarbayev retained the services of the controversial Giffen, who negotiated deals with oil companies on the Kazakhstani government's behalf while earning for his Mercator consulting firm 7.5 cents for every barrel that came out of Tengiz.¹⁷³ In 1993, Chevron signed what Nazarbayev and several Russian and U.S. news agencies called "the contract of the century," forming the giant joint company Tengizchevoil to extract oil from the

¹⁷² LeVine, *The Oil and the Glory*, 125.

¹⁷³ According to Cooley, in 2003, Giffen was arrested for violating, among other statutes, the Foreign Corrupt Practices Act by paying upwards of \$80 billion in bribes to Kazakhstan officials to secure deals. However, he was effectively let go based on the "public authority defense" that he had been an U.S. intelligence agent and conduit since the Cold War and had been a valuable informant on the Swiss bank account activities of Kazakhstan officials. Nazarbayev was very concerned with the possible damage that the Giffen case would have on his reputation, and eventually in 2007, a deal was reached to use \$84 million of the funds discovered in Swiss bank accounts linked to top Kazakhstani officials to benefit underprivileged children in their country. By then, Nazarbayev had already reaped the political and economic benefits that a developed Tengiz had brought to Kazakhstan.

enormous field.¹⁷⁴ The moniker applied mostly from Kazakhstan's perspective; the joint venture was 50-50 in terms of ownership, but the equality ended there. The Kazakhstani government would receive 80% of the revenues, and Chevron would fund most of the \$20 billion investment required to develop the field until it generated positive cash flow; only then would the government's contribution begin.¹⁷⁵

The Chevron deal was not just an economic triumph, but also played a role in building diplomatic ties and gaining international recognition for Nazarbayev during the nuclear disarmament negotiations. Beginning in December 1991, the Clinton Administration began making earnest overtures to convince Kazakhstan to give up its stock of nuclear weapons. Unsure of future relations with Russia and facing a crumbling economy, Nazarbayev was most concerned with obtaining security guarantees and economic assistance in exchange for Kazakhstan's signature to the Lisbon Protocol of the START treaty.¹⁷⁶ In May 1992, during his first visit to the United States at the invitation of President George H. W. Bush, the cooperation deal with Chevron featured prominently in the negotiations, with the U.S. side using it as a carrot for disarmament while Kazakhstan used it to demonstrate the republic's willingness to be a partner to the West in both commerce and peace.¹⁷⁷

In return for giving up nuclear weapons and reaching an agreement with a Western oil company on development of Tengiz field, Nazarbayev won the Western recognition and economic assistance that he craved, on top of foreign injection of capital,

¹⁷⁴ Yergin, *The Quest*, 66–67; Stephanie Baker, “Russia: Chevron to Join with Lukoil to Export Tengiz Oil,” *Radio Free Europe/Radio Liberty*, October 9, 1996, <https://www.rferl.org/a/1081958.html>; Daniel Southerl, “Oil’s ‘Deal of the Century’ Still in the Pipeline,” *The Washington Post*, March 12, 1995, https://www.washingtonpost.com/archive/business/1995/03/12/oils-deal-of-the-century-still-in-the-pipeline/eaede3aa1-56aa-419c-ac40-779a1e79d31c/?utm_term=.bb58d16cfad0; Nick Moore, “Kazakhstan, Chevron Finalize Agreement to Develop Huge Oilfield,” AP News Archive, April 6, 1993, <http://www.apnewsarchive.com/1993/Kazakhstan-Chevron-Finalize-Agreement-to-Develop-Huge-Oilfield/id-74729312d2a8a70034fccb674594d1cd>.

¹⁷⁵ Yergin, *The Quest*, 67.

¹⁷⁶ Dena Sholk, “The Denuclearization of Kazakhstan (1991–1995),” The Institute for the Study of Diplomacy, Georgetown University, 9–10, April 30, 2013, https://isd.georgetown.edu/sites/isd/files/JFD_Sholk_Denuclearization.pdf.

¹⁷⁷ Murat Laumulin, “Kazakhstan and the West: Relations during the 1990s in Retrospect,” Central Asia and the Caucasus Press, accessed August 10, 2017, http://www.ca-c.org/journal/2000/journal_eng/eng02_2000/05.laum.shtml.

technology, and expertise into Kazakhstan's oil industry. Meanwhile, Chevron was saddled with the financial burden and technical challenges of developing Tengiz for years before oil began to profitably flow from the field.¹⁷⁸ Profiting from the field, however, involved overcoming of another challenge: getting the oil to market from Kazakhstan's remote location, without exclusively transiting through Russian territory.

Strategy 2: Exploiting geographical positioning between major powers

As Chapter Two points out, historically, Kazakhstan's geography has been a threat to its security and a detriment to its development. However, Nazarbayev figured out how to turn this curse into a blessing. The timing of this strategy was fortuitous after the Cold War, with Russia struggling to maintain its influence in Central Asia, the West concerned with nuclear nonproliferation and other regional security issues, and China's rapidly growing appetite for resources. In the world of oil and gas, Nazarbayev's multi-vector policy has no clearer illustration than the development of pipelines over the last two and a half decades, which has shifted much of Kazakhstan's fossil fuel production toward China and away from its tradition transit routes through Russia, thus transforming the geoeconomic balance in Central Asia.

At the time of the Soviet Union's collapse, all of the major pipelines from Central Asia traveled north into Russia, which had a "disproportionate control over the price and amount of oil shipped."¹⁷⁹ In the early 1990s, building pipelines was less visionary for Kazakhstan than necessary for its survival. Kazakhstan was battling a freefalling economy, with GDP falling by as much as 40% since 1990, and Tengiz oil was a vital part of correcting that trend. Yet, even after Tengiz opened for production, the problem of how to export to the world market remained. Initially, the only options were expensive and inefficient: load the oil into tankers bound for Baku and then Azeri and Georgian rail cars, or lease trains that went through Russia to Ukraine. Although building a pipeline was a reasonable solution, Chevron considered that option to be Kazakhstan's responsibility, since pipeline infrastructure is a national asset that would cross Russian

¹⁷⁸ Southerl, "Oil's 'Deal of the Century' Still in the Pipeline."

¹⁷⁹ Kennedy, "In the 'New Great Game,'" 119.

territory, where foreign ownership was frowned upon. For its part, the young state lacked the capability for such a large undertaking and turned to another controversial figure to come up with a solution. John Deuss, a Dutchman who had previously earned Kazakhstani government's trust by arranging an Omani line of credit to keep the newly independent republic solvent, received Oman's financial backing to establish the Caspian Pipeline Consortium (CPC). As CPC's principal sponsor, Deuss feuded openly with Chevron, which soon realized that it would be missing out on the profits from high pipeline tariffs. Nazarbayev publicly aired his frustration at the Deuss-Chevron impasse, since his main concern was not who was building the pipeline, but that Tengiz's oil reached the market.¹⁸⁰ He also understood that, beyond its economic impact, the humble pipeline would take on geopolitical dimensions.

Suspicious of growing western influence in its Near Abroad, Russia viewed American companies' activities in the Caspian region with resentment. Besides, the Chevron-Soviet pact was still part of recent history and, in President Yeltsin's eyes, Tengiz belonged to Russia. However, such delusions held no sway in the 1990s, in view of Russia's chaotic internal weakness and Kazakhstan's desire to break free from the Russian yoke.¹⁸¹ In the end, Nazarbayev realized that he could leverage the United States' regional interests to build a solution in Kazakhstan's favor. The world's remaining superpower wished to support Kazakhstan's pursuit of nationhood and independence from Russia and gain its cooperation on the nuclear weapons disposal issue. The result was that Russian and American companies joined forces to purchase shares in the Tengiz field and strike a 50-50 state-private partnership to build the pipeline. The private companies would pay \$2.6 billion for construction, Russia and Kazakhstan would negotiate the right of way with local communities within their borders along the pipeline's entire 940-mile length, and the governments of Russia, Kazakhstan, and Oman would all share in the spoils.¹⁸² The first oil began to flow through the CPC

¹⁸⁰ Yergin, *The Quest*, 67–69.

¹⁸¹ Ibid., 68–69.

¹⁸² Ibid., 70. Vice President Gore personally convinced Russian Premier Chernomyrdin of the benefits to Russia in the completion of the CPC pipeline.

pipeline in 2001, and by 2011, 630,000 barrels a day flowed out of Tengiz. The pipeline also carries oil from Karachaganak and other smaller fields to international markets.¹⁸³

Despite technical difficulties with sour gas that drove up Tengiz development cost from \$20 billion to \$30 billion, the CPC proved a lucrative and liberating success for Kazakhstan in two ways.¹⁸⁴ First, the involvement of U.S. political figures and Omani investors in the post-Soviet space, especially on Russian territory, served as an example of Russia's weakness during the Yeltsin years, while Kazakhstan continued to build more commercial and diplomatic ties outside of Russia's sphere of influence. Second, Nazarbayev managed the delicate balance between achieving more economic independence from and maintaining friendly relations with Moscow. The CPC served both purposes by connecting Kazakhstani oil to the world market but also allowing Russia to profit through transit fees, thus softening the blow of Kazakhstan's diplomatic forays abroad and lessening the chance that Russia would retaliate.

The rise of China in the East presented another valuable geoeconomic opportunity for Kazakhstan to extricate itself from Russia's orbit. Kazakhstan's relationship with China over oil and pipelines is another illustration of the former's balancing strategy with respect to its resources. In 1997, the world took little notice of the first deal that the state-owned China National Petroleum Corporation (CNPC) inked with Kazakhstan, but it was a significant step toward a growing partnership in the future. CNPC's purchase of the firm Aktobe Munaigas came with the commitment to construct a pipeline that would transport the extracted oil eastward, away from the traditional route of going through Russia to the European market.¹⁸⁵

China's own geographical challenges worked in Kazakhstan's favor. China has relied on transporting oil by sea from Europe and the Middle East through the Strait of Malacca, a crowded and narrow sea lane that connects the Indian Ocean with the South China Sea, passing between Malaysia, Singapore, and western Indonesia. The former

¹⁸³ Yergin, *The Quest*, 71.

¹⁸⁴ Ibid., 70–71.

¹⁸⁵ Ibid., 72.

Chinese President Hu Jintao coined the term “Malacca Dilemma” to highlight the difficulty of the burgeoning Chinese economy’s overreliance on Middle Eastern oil moving through this bottleneck.¹⁸⁶ The Caspian energy resources presented a sensible overland solution to this conundrum, and China was eager to pay a steep price to obtain access. With the opening of the 625-mile Atasu-Alashankou pipeline to China’s western frontier in December 2005, Kazakhstan has secured a durable export market and strategic partnership with China.¹⁸⁷ The Trans-Asia Gas Pipeline that moves Turkmenistan’s gas export into western China also crosses a vast area in southern Kazakhstan, bringing in tax revenue and the ability to export Kazakhstani gas to China in the future.¹⁸⁸ Thus, the cooperation between Kazakhstan and China has become very mutually beneficial; China diversified its energy import sources, and Kazakhstan gained an expansive, previously untapped export market, further allowing it to break free from its economic dependence on Russia.

Strategy 3: Leveraging consumer states’ need for resources

Realist logic would dictate that, since Kazakhstan is a weaker state relative to its powerful neighbors, it would become the target of geopolitical and economic exploitation; however, that has not been the case. Even as part of his scathing critique of Central Asian regimes, Alexander Cooley gives credit to their “considerable agency” in drawing up “local rules,” through which they leverage the interests of geopolitical suitors and incite competition to secure domestic political power and gain economic benefits.¹⁸⁹ For example, China’s reliance on Central Asian mineral resources has greatly strengthened Nazarbayev’s regime through Beijing’s overpriced investments and a policy of political non-interference. Kazakhstan has also employed a divide-and-conquer strategy with other resource consumers, reaching favorable bilateral deals separately with multiple customers, thus preventing them from concentrating their negotiating power.

¹⁸⁶ Marc Lanteigne, “China’s Maritime Security and the ‘Malacca Dilemma,’” *Asian Security* 4, no. 2 (2008): 143–144, doi:10.1080/14799850802006555.

¹⁸⁷ Khanna, *The Second World*, 87.

¹⁸⁸ Cummings, *Understanding Central Asia*, 141.

¹⁸⁹ Cooley, *Great Games*, 8–9.

At first, China’s engagement with post-Soviet Central Asia stemmed from a security concern for the stability of its restive Xinjiang region. To that end, China spearheaded the Shanghai Five forum, which evolved into the current SCO in 2001, composing of China, Russia, and all the Central Asian republics except the reclusive Turkmenistan. This organization’s stated goal is combating “terrorism, separatism, and extremism.”¹⁹⁰ However, over time, China’s regional emphasis has shifted toward finding secure foreign sources of energy to satisfy its burgeoning domestic demand. China became a net importer of oil in 1993, when its economy was growing at 10 percent annually.¹⁹¹ By November 2010, The International Energy Agency (IEA) estimated that China’s oil demand had reached more than 10 million barrels a day, 4.8 million of which was imported.¹⁹² Such a high reliance on foreign mineral resources forces China to invest heavily abroad and maintain friendly relations with producer regimes to sustain national energy security.¹⁹³

Since the early days of independence, during which state survival was a main driver of oil politics, Kazakhstan’s use of this instrument of power and independence has become more assertive. As its economy stabilized and began rapidly growing in the new millennium, Kazakhstan became more willing to leverage consumer states’ dependence on its oil to extract beneficial terms, including “playing rough with both Western and

¹⁹⁰ Cooley, *Great Games*, 75, 77.

¹⁹¹ Ibid., 90.

¹⁹² Ibid.

¹⁹³ It would be a mistake to assume that China could simply buy its way into the dominant position vis-à-vis Kazakhstan’s oil interests. Following the June 1997 acquisition of a 60.3 percent share in Aktobe Munaigas, the CNPC added another 25.12 percent in May 2003; however, this deal paled in comparison to CNPC’s purchase of the Canadian PetroKazakhstan in 2005 for \$4.18 billion. The latter was “the largest purchase by any Chinese company” at the time, and the fact that CNPC paid a 21 percent premium above quoted price signaled an appetite that Kazakhstan could exploit. Hungry for the Caspian resources from a stable supplier, China knew that it “must maintain good relations with the Kazakhstan government [and be] willing to accept provisions that many Western companies would see as bad business.” Aside from overpaying for its acquisitions, the CNPC soon ceded 33 percent of the newly purchased PetroKazakhstan to the state-owned Kazmunaigaz to settle a dispute with the Kazakhstani government. Kazakhstan has also successfully limited China’s control over its oil reserves by limiting Chinese purchases to small fields that are “more costly to purchase and yield smaller [profit] margins, [while] favoring Western and Russian companies [for more] technically complex...and nationally important developments.” In fact, among its four largest oil fields —Kashagan, Tengiz, Karachaganak, and Kurnungazy—Kazakhstan has only allowed the Russian state oil company Rosneft a minor share of Kurnungazy while largely shutting out Chinese firms. Reference Kennedy, “In the ‘New Great Game,’” 120, 122, 123, 125–126.

Chinese companies.”¹⁹⁴ It is interesting to note that, other than the obvious goal of attracting foreign investment, Kazakhstan applies this leverage slightly differently, depending on the various objectives of foreign firms. From more experienced Western private firms that are primarily profit-driven, Kazakhstan brings in their expertise and technology to develop large yet difficult projects, such as Tengiz and the off-shore Kashagan. On the other hand, hungry Asian economies, such as China and India, are willing to take on worse contract terms to access the many smaller and less profitable oil fields.¹⁹⁵ Both types of customers are getting what they want while paying a premium. Through this compartmentalizing of the customer base, Kazakhstan has “increased state control of its resources while maintaining relatively high levels of foreign investment.”¹⁹⁶

Strategy 4: Using resource rents to strengthen the economy

As the outflowing oil and high energy prices brought in rapidly rising revenue in the late 1990s and into the 2000s, the Kazakhstani government’s spending plan focused on economic development as a primary means of keeping the regime in power and increasing its status, rather than as a mere stepping stone to military might, as traditional realists would suggest. This strategy goes beyond simply enriching the regime itself, which the Kazakhstani elite has certainly also done. A vibrant economy for the country as a whole is important for the image-conscious Nazarbayev for several reasons. On a personal and philosophical level, Nazarbayev is keen to validate to the international community his way of strengthening Kazakhstan’s statehood with “strong presidential power plus rapid, energetic economic reform.”¹⁹⁷ If he can accomplish the latter, then liberal Western leaders and institutions who are skeptical of his autocracy would have less ammunition with which to criticize and interfere. To this end, domestically distributing economic wealth and opportunities enables the growth of a middle class, which fosters an optimistic population that is supportive of the regime. In turn, domestic

¹⁹⁴ Kennedy, “In the ‘New Great Game,’” 132.

¹⁹⁵ Ibid., 131.

¹⁹⁶ Ibid., 132.

¹⁹⁷ Nazarbayev, *The Kazakhstan Way*, 14, xiii.

legitimacy and economic achievements empower Nazarbayev to build personal and national prestige abroad, allowing him to pursue foreign policy objectives more freely.

As long as Nazarbayev can keep Kazakhstan's economic engine going, he can continue to outwardly project himself as a respectable leader who has successfully integrated the most useful elements of the market-centric and state-centric economic models. These elements are both visible within the two main mechanisms into which Nazarbayev has channeled Kazakhstan's resource revenue: establishing robust sovereign wealth funds and developing human capital, especially by raising living standards and funding education. It is notable that, despite the endemic corruption throughout Central Asia, Kazakhstan has been relatively successful so far in escaping the resource curse through deliberate policy efforts that apply resource rents to stabilize and grow the economy.

(1) Sovereign Wealth Funds

In contrast to its financial troubles in the 1990s, Kazakhstan's economic performance since then has been spectacular, especially when compared to the other Central Asian republics. Kazakhstan's GDP remained at around \$20 billion per year throughout the 1990s but took off in the new millennium, peaking at \$236.6 billion in 2013 before settling back down, due to falling oil prices, at \$184.4 billion in 2015: still a remarkable 8,220 percent increase from the immediate post-Soviet period.¹⁹⁸ Kazakhstan has also been relatively successful in diversifying its economy away from oil and gas revenue. The portion of GDP earned from natural resource rents has dropped from a 2005 peak of 27.7 percent (21 percent from oil) to just 9.2 percent (5.6 percent from oil) in 2015.¹⁹⁹ As of 2016, 57.9 percent of Kazakhstan's GDP comes from the service sector, compared with 31.8 percent from the industrial sector, of which mineral resource

¹⁹⁸ "GDP (Current US\$)," The World Bank, accessed August 22, 2017, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=KZ>.

¹⁹⁹ "Total Natural Resources Rents (% of GDP)," The World Bank, accessed August 20, 2017, <http://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS?locations=KZ>; "Oil Rents (% of GDP)," The World Bank, accessed August 20, 2017, <http://data.worldbank.org/indicator/NY.GDP.PETR.RT.ZS?locations=KZ>.

production is the main component.²⁰⁰ Such growth and diversification require a mechanism to “convert natural resource wealth into more ‘spendable’ financial assets” that can be invested elsewhere; therefore, Nazarbayev established by presidential decree several SWFs.²⁰¹ Despite valid concerns over lack of transparency, the management and use of the two most significant funds—Samruk-Kazyna and the National Fund for the Future of Kazakhstan (or NOF, the “national oil fund”)—have by and large demonstrated the regime’s seriousness in committing a large portion of the resource revenue to economic stability and development.

Samruk-Kazyna, the largest SWF in Kazakhstan, came into being in late 2008, following the SWF models of Malaysia and Singapore. The massive development fund is effectively a government holding company, with \$66.7 billion in assets, employing 360,000 workers, and constituting a quarter of all investments in the country.²⁰² At its height in 2012, the fund’s assets were estimated to be worth 50 to 80 percent of GDP, while generating a revenue stream worth at least 20 to 30 percent of GDP. The fund’s diverse portfolio stretches across many industries, including five state monopolies—KazTelecom, KazRail, Kazmunaigas, KazPost, and KazGok—as well as the national airline Air Astana, real estate ventures, and commercial banks.²⁰³ This high level of state control and associated lack of transparency readily invite critics, who accuse the funds of stifling private competition, serving the regime’s policy objectives, and enabling the state’s hoarding of resources, but that is exactly the point. These fair critiques in fact illustrate how tightly sovereign wealth funds are tied into the state’s power apparatus, with the potential to benefit the ruling regime at the expense of the public. Yet, so far, Kazakhstan’s SWFs have not been detrimental to its economy; in fact, quite the opposite.

²⁰⁰ CIA, “Central Asia: Kazakhstan.”

²⁰¹ David M. Kemme, “Sovereign Wealth Fund Issues and the National Fund(s) of Kazakhstan,” (Working paper, The William Davidson Institute, University of Michigan, August 2012), 2, <https://deepblue.lib.umich.edu/bitstream/handle/2027.42/133053/wp1036.pdf?sequence=1&isAllowed=y>.

²⁰² “Samruk-Kazyna at a Glance,” Samruk-Kazyna, accessed July 27, 2017, <http://sk.kz/en/about-fund/about-the-fund>; Kemme, “Sovereign Wealth Fund Issues,” 2.

²⁰³ Kemme, “Sovereign Wealth Fund Issues,” 3.

Although some critics have charged that Samruk-Kazyna has become too unwieldy to be efficient and transparent, supporters have touted the fund's crucial stabilizing role, especially during the 2008 financial crisis, from which Kazakhstan emerged relatively unscathed.²⁰⁴ For example, in October of that year, the government was able to temporarily nationalize the largest vulnerable banks that it deemed too big to fail, and part of the rescue scheme involved purchasing controlling shares in BTA Bank (78.14 percent) and Alliance Bank (76 percent) with funds from Samruk-Kazyna. The \$1.7 billion that the government injected into BTA Bank and \$200 million into Alliance Bank allowed these banks to repay foreign debts and remain solvent, with the additional benefit of signaling the state's commitment to protecting the public's deposits.²⁰⁵

Whereas Samruk-Kazyna is designed to mainly fund growth and development projects as the government sees fit, the NOF serves primarily as a stabilization and savings fund. Established in 2000, the NOF exists within the National Bank of Kazakhstan, and is owned by the Ministry of Finance and managed by the national bank's Treasury Department. The fund grew from \$8 billion in 2005 to \$41.6 billion in 2010, with two-thirds of its revenue generated via taxes on oil production sharing and royalties and another 20 percent coming from oil and gas lease payments. Other sources of income are investments and sales from land privatization. The fund's mandate allows for targeted direct transfers into Samruk-Kazyna, such as occurred in response to the 2008 financial crisis. However, the more conventional use of the NOF's assets is to provide for the economic wellbeing of future generations through investment in various stability and savings funds denominated in both U.S. dollars and the Kazakhstani tenge.²⁰⁶

Samruk-Kazyna and the NOF complement each other in their roles of ensuring stability in the short term and enabling development in the long term. Before the steep

²⁰⁴ Alisher Khamidov, "Kazakhstan Grapples with Reform of Sovereign-Wealth Fund," Eurasianet.org, August 4, 2014, <http://www.eurasianet.org/node/69336>; Valeriya Anichshenko, "The Impact of the Financial Crisis on the Banking System of Kazakhstan," *Central Asia Business Journal* 2 (2009): 68, 69.

²⁰⁵ Anichshenko, "The Impact of the Financial Crisis," 68.

²⁰⁶ Kemme, "Sovereign Wealth Fund Issues," 2.

downturn of the global oil market in 2014, observers noted that the NOF was “relatively well managed [and] transparent” and the government was taking serious steps to improve Samruk-Kazyna’s transparency and corporate governance practices.²⁰⁷ These SWFs have played an important role in strengthening the population’s faith in the financial system and hope in the country’s economic future overall, but serious challenges remain, in the face of continually depressed oil prices, with some experts predicting that the NOF will be depleted by 2026.²⁰⁸ Continued diversification away from oil and gas will be crucial for sustaining these SWFs in the future.

(2) Human Capital: Living Standards

One of the symptoms of the resource curse is that regimes who do not rely on tax revenue but benefit from the direct sale of mineral resources lack the political incentives to develop the economy for the population’s benefit.²⁰⁹ However, the importance that Nazarbayev has placed on domestic legitimacy and international approval has become an alternative impetus for investing resource rents in genuine economic and human capital development. On this front, Kazakhstan still has to overcome some structural challenges, but has achieved a great deal of success.

Although for most Kazakhstanis, the Western quality of life is still far out of reach, their living standards have improved dramatically since independence. In terms of purchasing power parity (PPP) in international dollars, Kazakhstan’s GDP per capita has more than quadrupled from a nadir of \$6,039 in 1995 to \$25,264 in 2016, surpassing Russia and far above all other Central Asian states.²¹⁰ Life expectancy has risen from a low of 64 in 1996 to 72 years old by 2015, and infant mortality has fallen from 44.5 per

²⁰⁷ Kemme, “Sovereign Wealth Fund Issues,” 30.

²⁰⁸ Attracta Mooney, “Kazakh Sovereign Wealth Fund is Latest Victim of Oil Price Fall,” *Financial Times*, January 8, 2016, <https://www.ft.com/content/1ff29990-b5fe-11e5-b147-e5e5bba42e51>.

²⁰⁹ Jeffrey Frankel, “The Natural Resource Curse: A Survey,” in *Beyond the Resource Curse*, ed. Brenda Shaffer and Taleh Ziyadov (Philadelphia: University of Pennsylvania Press, 2012), 18.

²¹⁰ “GDP per capita, PPP (current international \$),” The World Bank, accessed July 27, 2017, <http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=KZ>; “Country Comparison: GDP – PER CAPITA (PPP),” The World Factbook, CIA, accessed March 1, 2017, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html#kz>.

1,000 live births in 1991 to 12.6 in 2015.²¹¹ The poverty rate—defined as \$1.90 per day in 2011 PPP dollars—has fallen from 10.5 percent in 2001 to almost zero, and unemployment fell to 5.2 percent in 2015 from a high of 13.5 percent in 1999.²¹² The government has also made strides in providing assistance to small enterprises, privatizing land ownership, and paying out higher government salaries. The private economy has surpassed the state in accounting for most of the workforce and economy. After studying and training in Europe, young Kazakhs believe that they can build a western lifestyle back home; as one noted, “We aren’t smuggling capital overseas, instead we’re taking out mortgages [at home].”²¹³

(3) Human Capital: Education

As part of his vision to position Kazakhstan as an internationally connected state, in 1993 Nazarbayev initiated the Bolashak study abroad program as an instrument to nurture the next generation of Kazakhstani leaders and experts. With funds from resource exports, the government can afford to build the administrative bureaucracy that manages and pays for university and graduate degree programs in more than 30 countries, mostly in the United States and Europe. Participating students agree to return to Kazakhstan to work for a minimum of five years. The program has grown from 60 to 80 students per year in the 1990s to several hundred, with the eventual goal of having 3,000 abroad at any given time, which equates to awarding 500 scholarships per year out of thousands of applicants. By 2010, the state had granted scholarships to a total of 6,697 students,

²¹¹ “Life expectancy at birth, total (years),” The World Bank, accessed July 27, 2017, <http://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=KZ>; “Mortality rate, infant (per 1,000 live births),” The World Bank, accessed March 1, 2017, <http://data.worldbank.org/indicator/SP.DYN.IMRT.IN?locations=KZ>.

²¹² “Poverty,” The World Bank, accessed March 1, 2017, <http://data.worldbank.org/topic/poverty?locations=KZ>; “Unemployment, total (% of total labor force) (modeled ILO estimate),” The World Bank, accessed July 27, 2017, <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=KZ>.

²¹³ Khanna, *The Second World*, 89–90.

bringing back a wealth of international knowledge and experience and applying them in corporate and government positions.²¹⁴

The government's evolving management of the Bolashak program has also displayed a responsiveness to public opinion and economic needs not usually associated with authoritarian regimes. After a 1997 scandal exposed that government elites' children were receiving priority consideration for the scholarships, the government quickly implemented administrative reforms, which led to more merit-based selection and expanded opportunities. During the 2006 presidential elections, even with the results a foregone conclusion, the regime responded to public pressure for more educational support by increasing the number of eligible countries and schools included in the program. More recently, the government has implemented a quota system to attract more rural students into the program, with the stipulation that they return to their home regions to contribute to their economies and societies upon completion of the program. Lastly, throughout the program's evolution, the government has had to contend with the challenge of developing the right type of human capital for the country's changing economy. By opening up more program opportunities in technical fields—such as engineering, biotechnology, information technology, and oil—while closing off options in bloated career fields, such as finance and accounting, the Bolashak administrators are constantly tailoring the program to respond to the needs of the labor market and deficiencies in the national education system.²¹⁵

On the other hand, the government has not been as proactive in funding the public educational system overall. Of all of the post-Soviet region, Kazakhstan ranks among the lowest in public expenditure on education as a percentage of GDP (3% in 2006).²¹⁶ However, like other former Soviet republics in Central Asia, Kazakhstan had the benefit of inheriting a literate population that values education, and, despite the lower percentage of government spending, Kazakhstani students have fared better on standardized math

²¹⁴ Regine A. Spector, "Education Reform in Energy-Exporting States: The Post-Soviet Experience in Comparative Perspective," in *Beyond the Resource Curse*, ed. Brenda Shaffer and Taleh Ziyadov (Philadelphia: University of Pennsylvania Press, 2012), 252, 253, 254.

²¹⁵ Ibid., 252, 253.

²¹⁶ Ibid., 247.

tests than even some Eastern European countries.²¹⁷ Nevertheless, while the government has opened up the market for private institutions, most students still attend state-run schools, so public funding remains a crucial ingredient in educating future generations.²¹⁸

The government has shown increasing initiative in addressing the educational funding issue, even applying the multi-vector principle in this area. From 2004 to 2008, the government increased education spending threefold, to 18.9 percent of the total state budget (compared with the Organization for Economic Co-operation and Development (OECD) average of 12 percent), focusing on raising teachers' salaries and upgrading educational buildings and infrastructure, including connecting all schools to the internet.²¹⁹ Nazarbayev is championing language programs, including ones with the goal of transforming the population into a trilingual society (Kazakh, Russian, English), and the expensive and overtly nationalistic project of returning the Kazakh writing system back to the Latin alphabet, a clear move to distance Kazakhstani culture away from its history of domination under Russia.²²⁰ Finally, looking beyond oil and gas to industries that will drive Kazakhstan's economic development in the future, the government has invested resource rents to address the shortfall in domestic high-tech expertise. Officials followed the higher education models of Singapore and Qatar, after visiting these countries in 2008, and the government expended \$100 million to open the Nazarbayev University in Astana, hoping to attract foreign experts to instruct Kazakhstan's best and brightest in fields such as bio- and nanotechnology. Each department at the university will be paired with an affiliated foreign institution to help with academic development, and the goal is to have foreigners make up half of the faculty.²²¹ These projects may still be years away from bearing fruit, but the government recognizes the importance of

²¹⁷ Spector, "Education Reform," 247, 240.

²¹⁸ Ibid., 240, 243.

²¹⁹ Ibid., 248, 249.

²²⁰ Ibid., 249; Catherine Putz, "Coming in 2018? A New Latin-Based Kazakh Alphabet," *The Diplomat*, July 26, 2017, <http://thediplomat.com/2017/07/coming-in-2018-a-new-latin-based-kazakh-alphabet>.

²²¹ Spector, "Education Reform," 249.

funding education for the sake of the country's future development, even if it is a part of the regime's empowerment strategy.

C. URANIUM

1. Background

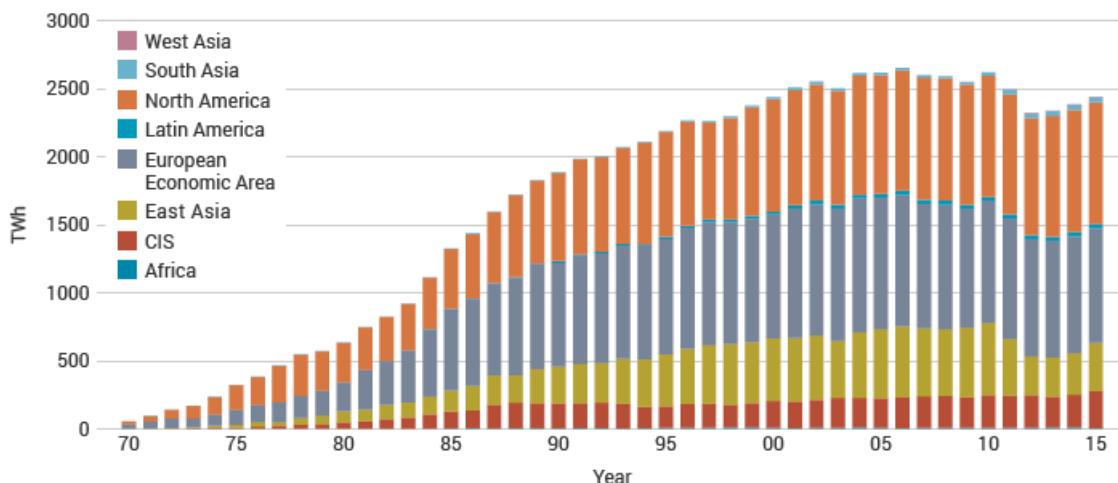
a. *A Global Energy Source*

The discussions surrounding energy politics usually revolve around oil and gas, but as the world becomes more concerned with the potentially catastrophic effects of greenhouse gas-induced climate change, alternative and low-carbon sources of energy are becoming increasingly important parts of the conversation. According to the IEA, nuclear power has “historically been one of the largest contributors of carbon-free electricity globally,” with output increasing dramatically since the beginning of the 1970s to nearly 2,500 terawatt-hours across the world today (Figure 3).²²² In 2014, nuclear energy comprised 4.8 percent of the world’s total primary energy supply; in 2015, the number was 9.8 percent for OECD countries.²²³

²²² IEA, “Nuclear Power,” IEA, accessed August 22, 2017, <https://www.iea.org/topics/nuclear>.

²²³ IEA, *Key World Energy Statistics* (Paris: IEA, 2016), 6, 7.

Nuclear Electricity Production



Source: IAEA PRIS

Figure 3. The growth of global nuclear electricity production²²⁴

In the 1990s, a series of takeovers, mergers, and closures consolidated the uranium production industry worldwide. As a result, most uranium mining companies in the world currently are state-owned, with the side-effect that sometimes purely market-driven decisions take a backseat to policy considerations, such as ensuring supply security and preventing nuclear material proliferation. These industry characteristics have led to a highly concentrated group of large producers that can operate legally and profitably. In 2015, 89 percent of the world's marketed uranium mine production came from only eleven companies, with 65 percent coming from the top four: Kazakhstan's KazAtomProm (21%), Canada's Cameco (17%), France's Areva (14%), and ARMZ-Uranium One, owned by Russia's RosAtom (13%).²²⁵

²²⁴ Source: World Nuclear Association, "Nuclear Power in the World Today," World Nuclear Association, August 2017, <http://www.world-nuclear.org/information-library/current-and-future-generation/nuclear-power-in-the-world-today.aspx>.

²²⁵ World Nuclear Association, "World Uranium Mining Production," World Nuclear Association, last modified July 2017, <http://www.world-nuclear.org/information-library/nuclear-fuel-cycle/mining-of-uranium/world-uranium-mining-production.aspx>. The discrepancy between KazAtomProm's marketed share of production and commonly cited figure is due to the company's sizeable portfolio of joint venture projects whose production is not counted in the marketed shares.

Certainly, nuclear power is also a politically unpredictable energy source, with public concerns over its safety record heavily affecting its use. After the Fukushima Daiichi nuclear accident on 11 March, 2011, countries such as Germany and Japan declared plans to abandon nuclear power within the coming decades.²²⁶ Nevertheless, after a brief dip immediately after the accident, growing world demand for low-carbon energy has led to an increase in nuclear power production (Figure 3).

b. Kazakhstan's Uranium Industry

Uranium extraction began in Kazakhstan in the 1950s.²²⁷ The republic inherited from the Soviet Union a relatively advanced nuclear mining and enrichment industry, including the ability to process raw uranium ore into yellowcake—a concentrated, powdered mixture of various uranium oxides (the most common being U₃O₈)—or uranium pellets.²²⁸ Kazakhstan has been the world's leading producer of uranium since 2009, when it produced nearly 28% of the world's total; by 2016, Kazakhstan's share of global production rose to 39 percent.²²⁹ The rapid increase of Kazakhstani uranium has been a welcomed relief for consumers. In 2007, global uranium production only satisfied 64 percent of world demand, but, in 2016, production fulfilled 98 percent of all demand (Figure 4).²³⁰

²²⁶ “Germany: Nuclear Power Plants to Close by 2022,” BBC, May 30, 2011, <http://www.bbc.com/news/world-europe-13592208>; Risa Maeda and Aaron Sheldrick, “Japan Aims to Abandon Nuclear Power by 2030s,” Reuters, September 13, 2012, <http://www.reuters.com/article/us-japan-nuclear-idUSBRE88D05520120914>.

²²⁷ Geoff Hiscock, *Earth Wars* (Singapore: John Wiley and Sons, 2012), 114.

²²⁸ “Kazakhstan Offers to Sell Brazil Uranium,” Reuters, May 5, 2017, <http://www.reuters.com/article/brazil-kazakhstan-uranium-idUSL1N1I715Q>; Mariya Gordeyeva, “Kazakhstan to Produce Nuclear Fuel for China,” Livemint.com, May 26, 2017, <http://www.livemint.com/Industry/s9upLiLo0Lx7Hhn1xA0UTO/Kazakhstan-to-produce-nuclear-fuel-for-China.html>.

²²⁹ World Nuclear Association, “Uranium and Nuclear Power in Kazakhstan,” World Nuclear Association, last modified June 2017, <http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/kazakhstan.aspx>.

²³⁰ World Nuclear Association, “World Uranium Mining Production.”

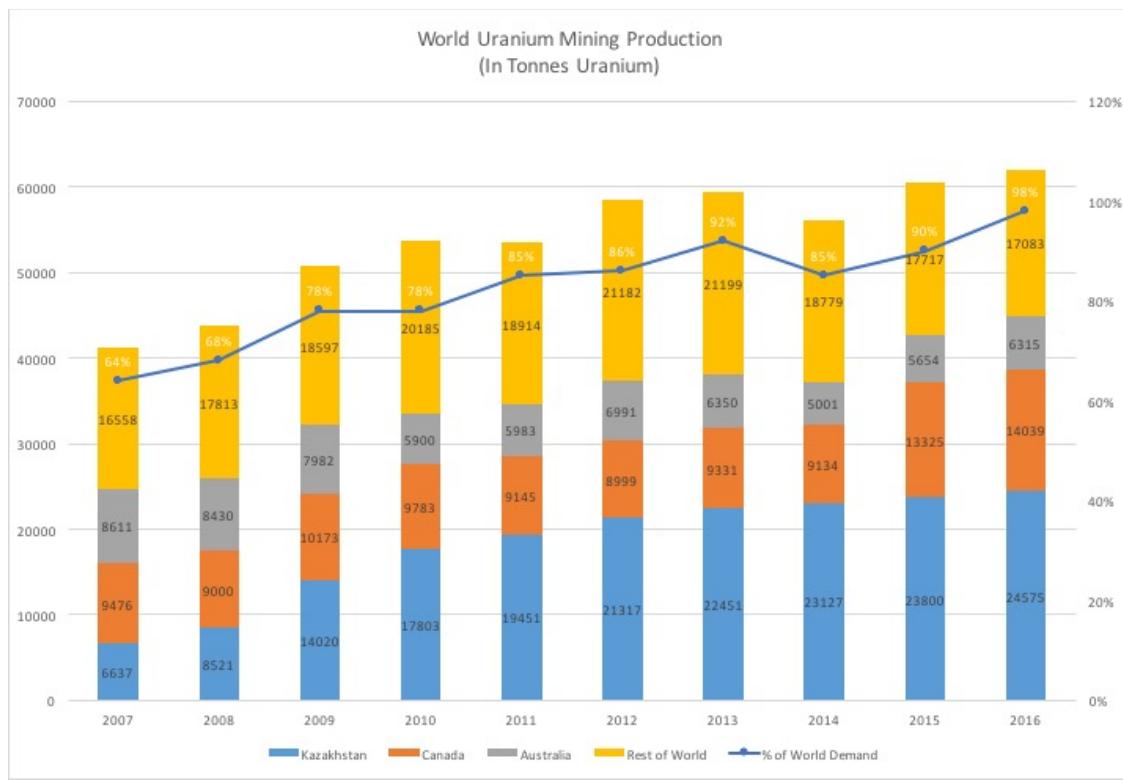


Figure 4. Kazakhstani (blue) uranium's increasing role in satisfying world demand²³¹

This thesis examines whether Kazakhstan applies the same geoeconomic strategies with uranium as with the oil industry. Although Kazakhstan's approaches to managing the two mineral resources are similar, in that they remain faithful to Nazarbayev's multi-vectorism, since the resources and their markets have fundamentally different characteristics, there is some divergence in the policy implications. The most obvious and important difference is in the scale of revenue that the two resources generate. In 2015, KazAtomProm, Kazakhstan's state-owned monopoly, reported a year-end sales income of around \$1.2 billion (half a percent of the \$184.4 billion GDP). In contrast, \$10.4 billion (5.6 percent of GDP) came from oil rents.²³² Thus, as a source of revenue, uranium has never been as crucial to Kazakhstan's economy as fossil fuels,

²³¹ Compiled from World Nuclear Association, "World Uranium Mining Production."

²³² KazAtomProm, "Key Indicator of Activities: 2015," KazAtomProm, accessed February 12, 2017, <http://www.kazatomprom.kz/en/content/investors/investors/keyindicatorsactivities>; The World Bank, "Oil Rents (% of GDP)"; The World Bank, "GDP (Current US\$)." Based on end of 2015 conversion of approximately 330 tenge = \$1.

especially during the financially precarious post-independence years. Consequently, however, uranium is still a politically significant resource for other reasons.

The international community's conflated fear of nuclear weapons and nuclear power guarantees that this energy source will remain controversial and, for some producers, a potential liability. Ironically, nuclear energy's inherent political volatility also allows producer states with the reputation of political pacifism and commercial reliability to distinguish themselves, since uranium importers and proponents of nuclear safety are eager to seek out trustworthy partners within a narrow field. This is the space in which Nazarbayev's regime has excelled. More than just commercial ties and revenue, the Nazarbayev regime has generated international goodwill by demonstrating Kazakhstan's dual role as a reliable business partner and a champion of nuclear safety and disarmament, enhancing both the regime's and the country's international standing in the process.

2. Applying Multi-vectorism to Uranium

Strategy 1: Using business deals to strengthen the regime

Kazakhstan's multi-vectored approach to policy-making extends to its uranium production and export industry. Nazarbayev has trumpeted his regime's investment-friendliness to attract foreign capital, expertise, and technology. However, unlike oil business deals, Kazakhstan's uranium deals lack the geopolitical ulterior motive of extricating the republic away from Russia's grip. Instead, the uranium strategy is more focused on garnering international prestige.

Nazarbayev main strategy with uranium deals is to exchange, with any willing partner, Kazakhstan's abundant uranium for investments of capital and advanced technology, for two purposes. In the short term, he wants the domestic nuclear industry to gain the capability of manufacturing higher grade nuclear fuel assemblies, which are ready to use and thus more profitable than raw material or fuel pellets.²³³ This capability will elevate Kazakhstan's standing within the industry and expand its commercial

²³³ Mariya Gordeyeva, "Kazakhstan to Produce Nuclear Fuel for China."

opportunities. Farther down the road, Nazarbayev wants Kazakhstan to become the first Central Asian country to generate commercial nuclear power within its borders. Nuclear power confers prestige on its possessor, elevates the country's status among its neighbors and in the international community, and legitimizes the regime.²³⁴

There is also a moral dimension to Kazakhstan's nuclear activities that is not directly tied to commercial ventures, but nonetheless enhances the business deal strategy. Nazarbayev has successfully cultivated Kazakhstan's image as an international leader on issues relating to nuclear security, which in turn bolsters the regime's reputation as a trustworthy international nuclear business partner. Interestingly, Kazakhstan's advocacy and actions on various nuclear issues operate on geoeconomic mechanisms, but in reverse. Rather than using economic instruments in an interdependent framework to gain leverage, Kazakhstan's moral stance follows the logic of niche diplomacy, in which a middle power's "agenda-based leadership" on one issue elevates its overall prominence in the international community relative to traditionally stronger states, which in this case are those that possess nuclear arsenals.²³⁵ This stance has earned Nazarbayev "moral capital," which he can in turn spend in the economic realm. Within the politically volatile uranium and nuclear power industries, Kazakhstan's moral capital buys it commercial credibility, thus facilitating business ventures that allow the regime to advance toward its own peaceful nuclear development goals.²³⁶

(1) Win-Win Nuclear Deals

The goal of achieving domestic commercial nuclear power is very evident in the terms of Kazakhstan's uranium business deals with foreign partners, which often include technology assistance and feasibility studies that are related to nuclear power plants.

²³⁴ Allison McFarlane, "Where, How, and Why Will Nuclear Happen? Nuclear 'Renaissance' Discourses from Buyers and Suppliers," in *The Nuclear Renaissance and International Security*, ed. Adam N. Stulberg and Matthew Fuhrmann (Stanford: Stanford University Press, 2013), 52, 56.

²³⁵ Cooper, "Niche Diplomacy," 2, 3.

²³⁶ Davide Rodogno, "Humanitarian Intervention in the Nineteenth Century," in *The Oxford Handbook of the Responsibility to Protect*, ed. Alex J. Bellamy and Tim Dunne (New York: Oxford University Press, 2016), 34.

Founded in 1997, KazAtomProm is the national instrument on the uranium front; the firm owns or controls all aspects of uranium production in the country and is responsible for producing more than one third of global output needed for nuclear power and weapons.²³⁷ Similar to the oil industry, joint ventures are the norm in the ownership and operation of Kazakhstan's domestic uranium mines. In 2016, out the world's 15 most productive mines, seven are located in Kazakhstan and account for a quarter of the world's total production by tonnage. While most of the other mines on this list have a single corporation as the dominant owner, all except two of Kazakhstan's top mines are owned through joint ventures shared between various foreign uranium mining companies and KazAtomProm.²³⁸ KazAtomProm has also inked deals with Russia, Japan, China, India, Canada, South Korea, among others, that extend beyond raw uranium mining.²³⁹

In July 2006, KazAtomProm and Russia signed three 50-50 nuclear joint venture agreements worth a total of \$10 billion. These projects include the building of small and medium nuclear reactors, uranium enrichment plants, uranium exploration, and a feasibility study for a Kazakhstani nuclear power plant. Since April 2007, several deals between the Japanese government and firms with KazAtomProm have brought much-desired nuclear technology to Kazakhstan in exchange for nuclear fuel production to sustain Japan's energy needs. Also notably, KazAtomProm is looking beyond its traditional portfolio of mineral resources to include increased production of rare earth metals, a class of materials that are difficult to produce yet integral to manufacturing high-tech and renewable energy devices. In March and June of 2010, KazAtomProm signed separate agreements with the Japanese firms Sumitomo and Toshiba to create rare earth metals joint ventures, with the goal of producing 1,500 tonnes of rare earth oxides per year from treating uranium tailings, the sludge byproduct of processing uranium ore.²⁴⁰ In September of that year, several Japanese firms also agreed to conduct a nuclear power feasibility study in Kazakhstan. Even after the 2011 Fukushima accident, Japan's

²³⁷ Reuters, "Kazakhstan Offers to Sell Brazil Uranium."

²³⁸ World Nuclear Association, "World Uranium Mining Production."

²³⁹ Hiscock, *Earth Wars*, 114.

²⁴⁰ Sebastien Peyrouse, "Race for Rare Earths in Central Asia," *Voices* (blog), National Geographic Society, August 20, 2013, <http://voices.nationalgeographic.com/2013/08/20/raceforrareearthsincentralasia>.

domestic about-face away from nuclear power has not stopped its continued cooperation to build nuclear reactors in Kazakhstan.²⁴¹

(2) The Commercial Benefits of Moral Positioning

Besides forming business connections with many countries that have enhanced the regime's commercial position in the industry, the sensitivities surrounding uranium have also allowed the regime to advance its diplomatic position through its moral stance on both civilian and military nuclear issues. Kazakhstan has received wide praise within the United Nations for consistently and vocally advocating for worldwide nuclear disarmament and for advancing the causes of uranium supply security and nuclear power safety.²⁴²

As covered in Chapter III, Kazakhstan's history as a nuclear weapons test site and Nazarbayev's voluntary surrender of weapons and fissile material after independence lent a great measure of credence to the republic's leadership in the United Nations' disarmament efforts. Kazakhstan can place itself on the moral high ground to elevate its status vis-à-vis the nuclear powers, and this niche diplomacy is useful for building credibility that extends to other issues relating to uranium.²⁴³

As part of its commitment to promoting international nuclear security, Kazakhstan has taken on several international initiatives. At the 2012 Nuclear Security Summit, Kazakhstani representatives announced the republic's plan to open a Nuclear Security Training Center with the support of the U.S. National Nuclear Security Administration (NNSA). The center, located in Alatau, opened in May 2017 and will "train personnel from local, regional, and international nuclear facilities and

²⁴¹ World Nuclear Association, "Uranium and Nuclear Power in Kazakhstan."

²⁴² The United Nations, "Kazakhstan's Outlawing of Nuclear Weapons Testing Hailed as General Assembly Marks Fourth International Day," The United Nations, September 5, 2013, <https://www.un.org/press/en/2013/ga11405.doc.htm>; The Atom Project, "Kazakhstan's Anti-Nuclear Weapons Efforts Praised During Sept. 10 Informal UN General Assembly Meeting," The Atom Project, September 11, 2015, <http://www.theatomproject.org/2015/09/kazakhstans-anti-nuclear-weapons-efforts-praised-sept-10-informal-un-general-assembly-meeting>.

²⁴³ Kassym-Jomart Tokayev, "Pugwash and Kazakhstan's Campaign for Nuclear Disarmament," *The Diplomat*, August 23, 2017, <http://thediplomat.com/2017/08/pugwash-and-kazakhstans-campaign-for-nuclear-disarmament>.

organizations, [focusing] on fundamental and advanced nuclear security topics.”²⁴⁴ Despite not having a commercial nuclear power plant, Kazakhstan does possess research reactors and produce nuclear fuel pellets, so domestic industry and academia will also benefit from the training center. Kazakhstan will also host the low-enriched uranium (LEU) fuel bank, scheduled to open in late 2017.²⁴⁵ Under the auspices of the International Atomic Energy Agency (IAEA), this fuel bank, located at the Ulba Metallurgical Plant in Oskemen, will contain a physical reserve of “up to 90 metric tons” of LEU, available to “eligible IAEA Member States” in case of supply disruptions due to exceptional circumstances. In establishing such an entity, the IAEA and countries possessing or looking to develop nuclear energy capacity recognize the importance of nuclear power within the future global energy portfolio and the need for a dependable supply of nuclear fuel.²⁴⁶ In August 2017, Astana is playing host to the 62nd Pugwash Conference, bringing together 200 experts and promoting dialogue on how best to address future disarmament, non-proliferation, and civilian nuclear energy issues.²⁴⁷ Nazarbayev’s regime is pushing for the country to be front and center in the field of nuclear safety and security.

Strategy 2: Exploiting geographical positioning between major powers

Unlike oil and gas, which rely on expensive pipelines for efficient and profitable transport, uranium can move along existing roads, railroads, and maritime shipping routes. The uranium industry is largely devoid of the cutthroat stakes of pipeline politics, which Nazarbayev has employed to his geopolitical advantage. Although geography still plays an important role in Kazakhstan’s Eurasian identity as a commercial bridge

²⁴⁴ NNSA, “Nuclear Security Training Center Opens in Kazakhstan,” NNSA, May 15, 2017, <https://nnsa.energy.gov/mediaroom/pressreleases/nuclear-security-training-center-opens-kazakhstan>.

²⁴⁵ “Kazakhstan Opens Nuclear Security Training Centre,” World Nuclear News, May 16, 2017, <http://www.world-nuclear-news.org/RS-Kazakhstan-opens-nuclear-security-training-centre-1605177.html>.

²⁴⁶ IAEA, “IAEA Low Enriched Uranium Bank,” IAEA, accessed May 21, 2017, <https://www.iaea.org/topics/iaea-low-enriched-uranium-bank>.

²⁴⁷ Pugwash Conferences on Science and World Affairs, “62nd Pugwash Conference, Astana,” Pugwash Conferences, accessed August 24, 2017, <https://pugwash.org/2017/06/29/62nd-pugwash-conference-astana>.

between East and West, Nazarbayev's regime has not leveraged it much as a source of power in the context of uranium, when compared to oil and gas.

Currently, commercial conversion facilities that process yellowcake and other uranium ore concentrates into useable nuclear fuel are located in only five countries: Canada, China, France, Russian, and the United States (Figure 5); thus, raw material or fuel pellets must travel long distances to these facilities before reaching customer countries. From faraway producers, such as Australia, the material may travel tens of thousands of miles to reach these facilities.²⁴⁸ In comparison, Kazakhstan's proximity to Chinese and Russian conversion plants allows for lower shipping costs and less time, making it an attractive alternative supplier.

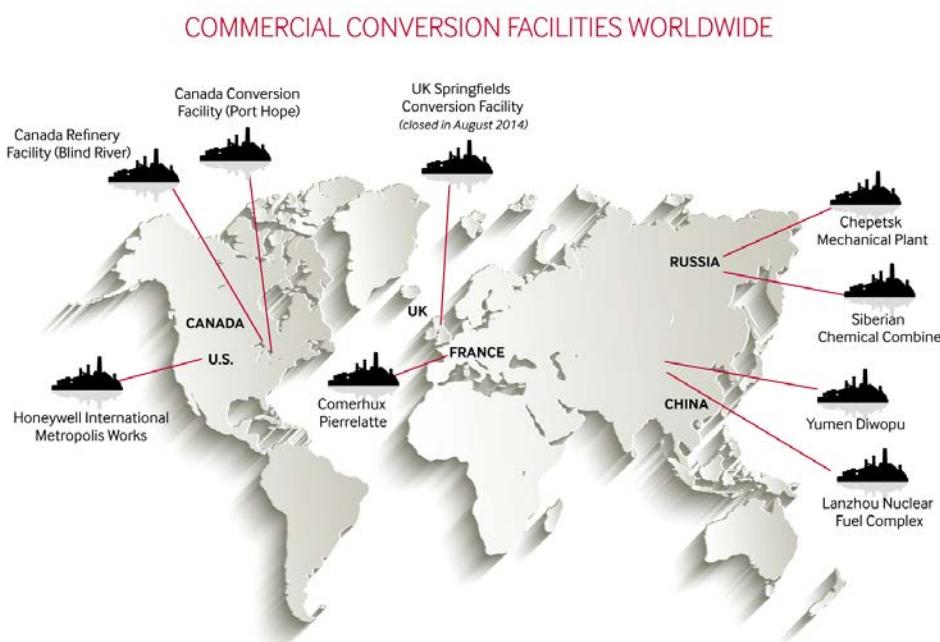


Figure 5. Kazakhstani uranium is closer to fuel conversion facilities in Europe, China, and Russia than Canadian or Australian exports²⁴⁹

²⁴⁸ "Governing Uranium," Center for Strategic and International Studies (CSIS), accessed September 6, 2017, <http://uranium.csis.org/production>.

²⁴⁹ Source: CSIS, "Governing Uranium."

Kazakhstan's uranium and nuclear industry has benefited from the country's proximity to China, its biggest export destination, and the resulting closer commercial ties. In December 2006, China's Guangdong Nuclear Power Group (now General Nuclear Corporation) and KazAtomProm signed a strategic cooperation agreement. This partnership has continued in the form of mutual investments in each other's nuclear industry; China has taken part in Kazakhstani uranium mining ventures, and KazAtomProm has invested in Chinese nuclear power facilities.²⁵⁰ Still, in contrast to oil and gas, Kazakhstan's nuclear joint ventures with China do not appear to be a hedge against Russian influences, as Kazakhstan has continued to closely cooperate with Russia's nuclear industry.

Although Nazarbayev has not exploited geography with respect to uranium as much as oil and gas, he has nonetheless promulgated Kazakhstan's Eurasian identity as official ideology since 1994. This vision features Kazakhstan's identity as both "a bridge between Asia and Europe" and the "heart of Eurasia."²⁵¹ In practice, more than an exporter of natural resources, Nazarbayev has embraced Kazakhstan's role as a transit state, through which lucrative trade routes can pass between East Asia, Europe, the Middle East, and beyond. This role has most clearly manifested within China's ambitious "One Belt, One Road" plan to revitalize the ancient Silk Road, which places Kazakhstan at the center of a vast network of transportation routes. This project is not geared toward uranium exclusively, but it demonstrates the importance that China places on its Central Asian neighbor as both a supplier of natural resources and a middleman that will facilitate global trade.

In September 2013, the Chinese president Xi Jinping visited Central Asia and signed an agreement with Kazakhstan for up to \$30 billion to encourage the development of transportation infrastructure. This investment also came with the promise that China would stay clear of Central Asia's internal politics and not establish a sphere of

²⁵⁰ World Nuclear Association, "Uranium and Nuclear Power in Kazakhstan."

²⁵¹ Golam Mustafa, "The Concept of 'Eurasia': Kazakhstan's Eurasian Policy and Its Implications," *Journal of Eurasian Studies* 4 (2013), 164, <http://dx.doi.org/10.1016/j.euras.2013.03.006>.

influence.²⁵² This arrangement benefits the regime greatly. Along with the rest of Central Asia, Kazakhstan may be financially beholden to China's largesse, but the regime can apply the financial resources as they see fit with little political interference, so long as the regime delivers the resources that China is after.²⁵³

Nor is Kazakhstan merely paying lip service to fulfilling its role as a transit hub. In 2014, the government announced the "Nurly Zhol" plan to upgrade transportation infrastructure nation-wide, including new highways, ports, and ten tax-free special economic zones to encourage trade and investments. It remains to be seen whether these transportation projects will bear fruit, but the potential for Kazakhstan to gain both economic benefits and recognition as "a linchpin that physically connects the markets of China, Russia, South Asia, and Europe together" is a prime illustration of geoeconomics at work.²⁵⁴

Strategy 3: Leveraging consumer states' need for resources

Supply scarcity for uranium can come from two main causes: physical production shortages and legal barriers to imports. As previously addressed, Kazakhstan's growing production has brought much needed relief to the former. For the latter, the politically sensitive nature of uranium fuel can also work to Kazakhstan's advantage. Kazakhstan's increasingly dominant share of the uranium market raises the possibility that the republic may be in a position to use this resource as an energy weapon. However, despite a recent deliberate production cut that led to a global price jump, so far there are no indications that the republic has abandoned its commitment to being a reliable supplier to many customers in exchange for revenue or other forms of investment. Overall, when compared with the oil industry, Kazakhstan's behavior toward consumer needs in the uranium industry is better characterized by transactional cooperation, rather than soft coercion,

²⁵² Jim Nichol, *Central Asia: Regional Developments and Implications for U.S. Interests* (Washington, DC: Congressional Research Service, 2013), 14.

²⁵³ Bruce Pannier, "What's China's One Belt, One Road Project to Central Asia?" Majilis, Radio Free Europe/Radio Liberty, podcast audio, November 12, 2016, <http://www.rferl.org/a/28112026.html>.

²⁵⁴ Wade Shepard, "New Silk Road: Inside Kazakhstan's Incredible Economic Transformation," *Forbes*, November 17, 2016, <http://www.forbes.com/sites/wadeshepard/2016/11/17/insidekazakhstansincredibleeconomictransformation/print>.

with the result that Nazarbayev can preserve his regime's friendly image that attracts continued business.

In the company's 2015 annual report, KazAtomProm notes that its top four uranium buyers are two Chinese nuclear power corporations, a French electricity company, and a U.S. nuclear fuel company; however, KazAtomProm does not disclose the amount that it sells to each customer.²⁵⁵ It is thus difficult to pin down exactly how much uranium importing countries are dependent on Kazakhstan's supply and thus vulnerable to a hypothetical uranium weapon. Judging by sheer volume as the leading exporter and data revealed in scattered reports and supply agreements, it is clear that Kazakhstan is an important part of several countries' supplier portfolio; however, Kazakhstan does not occupy such a dominant position among any one country's suppliers to be able to wield coercive leverage. Consequently, it is unlikely to deploy the "uranium weapon."

Kazakhstan has found in China a steady appetite for its products, but the Chinese policy of diversifying among domestic and foreign sources makes it unlikely that Kazakhstan can dominate the Chinese market in the long term. Along with other energy sources, China is rapidly expanding its nuclear power production capability and increasing uranium imports.²⁵⁶ In 2012, China imported 12,908 tonnes, and 18,968 tonnes in 2013, with Kazakhstan being a main supplier.²⁵⁷ In 2014, KazAtomProm reported that it exported 55 percent of its uranium production to China; this equates to around 7,500 tonnes, a significant portion of China's import volume.²⁵⁸ That said, China is also working toward the goal of fulfilling demand in equal parts by

²⁵⁵ KazAtomProm, "Integrated Annual Report for 2015," 2016, 28, accessed September 6, 2017, http://www.kazatomprom.kz/sites/default/files/corpfiles/integrated_annual_report_for_2015.pdf.

²⁵⁶ Hiscock, *Earth Wars*, 113–14.

²⁵⁷ "China's Nuclear Fuel Cycle," World Nuclear Association, last modified July 2017, <http://www.world-nuclear.org/information-library/country-profiles/countries-a-f/china-nuclear-fuel-cycle.aspx>.

²⁵⁸ World Nuclear Association, "Uranium and Nuclear Power in Kazakhstan."; KazAtomProm, "Integrated Annual Report for 2015," 6.

domestic production, Chinese equity in foreign mines, and purchases on the open market.²⁵⁹

Diversification has similar effects for Kazakhstan's relationships with the two largest nuclear power-generating countries in the West. Energy independence was France's response to the oil shocks of the 1970s, and it generates 75 percent of its electricity from 58 nuclear reactors. France even exports more than 10 percent of excess production to its European neighbors, including Germany and Switzerland, which have turned away from nuclear power. Most of France's annual requirement of 10,500 tonnes comes from French-owned mines in Canada, with smaller portions coming from other producers, including Kazakhstan.²⁶⁰ The United States is relatively more dependent on Kazakhstan for uranium. According to the U.S. Energy Information Agency (EIA), Kazakhstan overtook Australia and became the leading uranium supplier to the United States in 2014, supplying almost 5,500 tonnes (23 percent) of the total U.S. demand, the highest in the world (Figure 6).²⁶¹ This percentage is significant, but not dominant enough to be an overwhelming influence.

²⁵⁹ World Nuclear Association, "China's Nuclear Fuel Cycle."

²⁶⁰ Hiscock, *Earth Wars*, 118–19.

²⁶¹ EIA, "U.S. Reactor Operators Increase Uranium Purchases from Kazakhstan," EIA, October 5, 2015, <https://www.eia.gov/todayinenergy/detail.php?id=23212>.

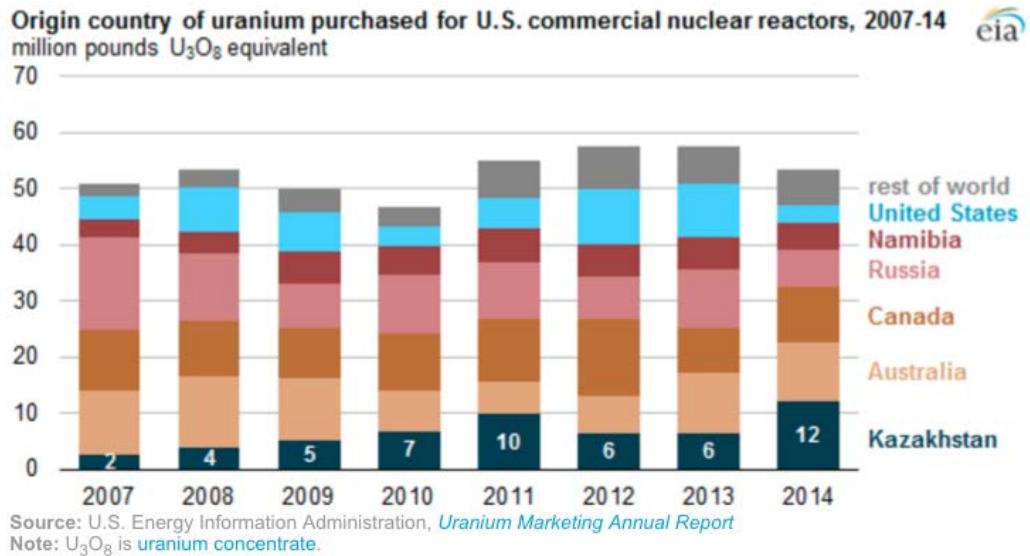


Figure 6. United States' increasing reliance on Kazakhstan's uranium²⁶²

However, Kazakhstan has leveraged its uranium exports in other ways. One main approach is to reach out to customers who are experiencing supply scarcity for various reasons and build mutually beneficial relationships that advance Kazakhstan's nuclear interests. Until recently, India—a non-signatory nuclear weapons power to the NPT—has struggled to enter the global uranium market. Even after the country finally received an exemption to trade restrictions imposed by the Nuclear Suppliers Group in 2008, Australia still forbade exporting uranium to India, so Kazakhstan became one of its primary suppliers.²⁶³ In January 2009, India's Nuclear Power Corporation signed an agreement with KazAtomProm to purchase 2,100 tonnes of uranium over several years, including 300 tonnes per year by 2011, which covered almost a third of India's annual requirement.²⁶⁴ Nevertheless, Kazakhstan's goal was not to dominate the Indian market; instead, it exploited the relationship to persuade India to conduct a feasibility study on building nuclear reactors in Kazakhstan.²⁶⁵

²⁶² EIA, "U.S. Reactor Operators Increase Uranium Purchases."

²⁶³ Hiscock, *Earth Wars*, 111; CSIS, "Governing Uranium."

²⁶⁴ World Nuclear Association, "Uranium and Nuclear Power in Kazakhstan"; "Uranium 2011: Resources, Production, and Demand," OECD Nuclear Energy Agency and the IAEA, 2012, 253.

²⁶⁵ World Nuclear Association, "Uranium and Nuclear Power in Kazakhstan."

In the case of Brazil, government denial of environmental licenses has hampered the domestic nuclear industry's efforts to develop one of the world's ten largest uranium reserves, and Brazil's nuclear power plants were running short of fuel. In May 2017, Kazakhstan saw the potential of this new market and offered to sell uranium to Brazil.²⁶⁶

Market conditions have propelled much of Kazakhstan's rise to the position of top-producer, and even though recently Kazakhstan has demonstrated its influence on the uranium market overall, there are still no signs that it will employ uranium as an energy weapon. Within the last decade, high uranium prices have driven consumers to search for cheaper sources, and Kazakhstan was ready to accept buyers. In 2014, the price of Kazakhstani uranium was \$44.47 per pound, compared to the overall weighted average price of \$46.65 from the other producing countries.²⁶⁷ According to an industry analyst, KazAtomProm's ramped-up production actually became "one of the top causes" of a steep price drop, falling to as low as \$18 in 2016.²⁶⁸ In response, KazAtomProm announced in the beginning of 2017 that it would cut the year's production by 2,000 tonnes, or ten percent of its total production and three percent of total global output.²⁶⁹ This business logic of this move is sound; nevertheless, the market's reaction was dramatic. Spot price rose 10 percent when the news broke, but there are several reasons that this was not Kazakhstan's bid to exert control of the market.²⁷⁰ First, even with the sudden spot price jump, at around \$22 per pound, uranium prices are still near a historic low, so importers have few reasons to panic (Figure 7). Second, KazAtomProm's move is more a rational market response than a proxy political move on the regime's behalf. Having over-produced, even in the face of decreasing worldwide demand after the Fukushima accident in 2011, KazAtomProm's chairman Askar Zhumagaliyev admitted that "these ... assets are far more valuable to our shareholders ... being left in the

²⁶⁶ Reuters, "Kazakhstan Offers to Sell Brazil Uranium."

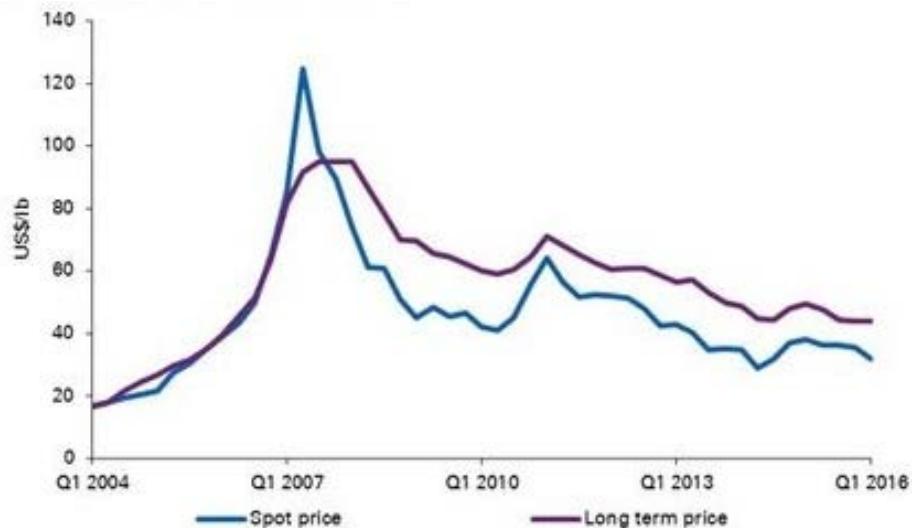
²⁶⁷ EIA, "U.S. Reactor Operators Increase Uranium Purchases."

²⁶⁸ Cecilia Jamasmie, "World's Top Uranium Producer Kazakhstan to Cut Output by 10%," Mining.com, January 10, 2017, <http://www.mining.com/worlds-top-uranium-producer-kazakhstan-to-cut-output-by-10>; Dave Forest, "Uranium Prices Set to Rise In 2017," OilPrice.com, May 2, 2017, <http://oilprice.com/Alternative-Energy/Nuclear-Power/Uranium-Prices-Set-To-Rise-In-2017.html>.

²⁶⁹ Jamasmie, "World's Top Uranium Producer."

²⁷⁰ Forest, "Uranium Prices Set to Rise."

ground.”²⁷¹ Lastly, rather than pulling away, KazAtomProm has shown commitment to deepen its involvement in the uranium market by opening a branch office in Switzerland so it can more actively trade on the spot market.²⁷²



Source: Cameco Uranium Price, accessed April 2016

Figure 7. Uranium prices are at the lowest in the last decade²⁷³

Importers’ dependence on Kazakhstan is varied across the market. Although Kazakhstan has positioned itself as one of the main uranium suppliers of several countries, satisfying as much as a third of their requirements, it has shown no sign of coercively exercising this leverage. This is an economically rational policy. The exercise of coercive measures in this market would likely degrade existing partnerships and cut off Kazakhstan from the infusion of capital and technology that it needs. Since Kazakhstan’s uranium mines are “the lowest cost operators in the world,” it can compete on economic terms and carry out its policy goals based on mutually beneficial interdependence to gain revenue and technological capital.

²⁷¹ Jamasmie, “World’s Top Uranium Producer.”

²⁷² Forest, “Uranium Prices Set to Rise.”

²⁷³ Source: Forest, “Uranium Prices Set to Rise.”

Strategy 4: Using resource rents to strengthen the economy

Even with its high level of production, Kazakhstan’s uranium revenue is small compared with that of oil, and thus it is not a very significant source of funding for the domestic economy. According to KazAtomProm, 71 percent of the company’s total revenue in 2015 came from the sale of uranium, worth only about \$853 million.²⁷⁴ As part of the diverse portfolio of the SWF Samruk-Kazyna, KazAtomProm contributes to the stability of the economy, however slightly. The company also employs close to 27,000 employees through “about 70 subsidiaries and affiliates operating in seven regions” of the country.²⁷⁵ Uranium production-related employment increased 18–19 percent from 2013 to 2014, and several training centers around the country prepare students and future employees for the industry.²⁷⁶ Currently, without a domestic commercial nuclear power plant, all of Kazakhstan’s uranium is exported, and internal demand does not seem likely to materialize before 2020.²⁷⁷ Until nuclear power becomes a reality in Kazakhstan and potentially transforms the domestic energy market, the impact of the uranium industry on the economy overall will remain limited.

D. CONCLUSION

Nazarbayev regime has applied its geo-economic strategies somewhat differently to Kazakhstan’s fossil fuel resources and uranium. Even though the overarching multi-vectorism is consistent between the two types of resources, the regime has implemented all four hypothesized strategies heavily through oil and pipeline politics while only some of the strategies have applied to uranium, and mostly to a lesser degree. These differences are summarized in Table 4.

²⁷⁴ KazAtomProm, “Key Indicator of Activities: 2015.”

²⁷⁵ KazAtomProm, “Integrated Annual Report for 2015,” 21.

²⁷⁶ “Uranium 2016: Resources, Production, and Demand,” OECD Nuclear Energy Agency and the IAEA, 2016, 299.

²⁷⁷ OECD Nuclear Energy Agency and the IAEA, “Uranium 2016,” 303.

Table 4. Nazarbayev's geo-economic strategies: The extent of application to oil and uranium

	Oil	Uranium
1. Business deals	High	High
2. Geography	High	Low
3. Consumer need	High	Moderate
4. Domestic economy	High	Low

Examining these strategies also revealed some differences in the flavor of Kazakhstan's interactions with its international partners. In the oil and pipeline industries, these interactions have sometimes taken on a more confrontational tone, which can be explained by the urgent strategic goal of keeping Russian influence at bay while extracting economic benefits from other major powers. In contrast, this dynamic appears to be completely absent in the nuclear realm, where Nazarbayev has presented himself as a champion of peace and security and Kazakhstan as the model business partner. These findings are summarized in Table 5.

Table 5. Nazarbayev's geoeconomic strategies: The character of international interactions

	Oil	Uranium
1. Business deals	Cooperative Confrontational toward Russia	Cooperative
2. Geography	Cooperative	Cooperative
3. Consumer need	Cooperative Exploitative of foreign firms	Cooperative

These varying characteristics may stem from the fundamental differences between oil and uranium, the most significant being their relative significance as an energy source and the socio-political concerns surrounding each resource. Although the global energy portfolio is unlikely to shift so suddenly as to put oil and uranium on equal footing within years or even decades, concerns over climate change may gradually alter the balance and elevate uranium's status as a reliable and, ironically, safer energy source. Since some of Kazakhstan's more confrontational behaviors regarding oil could be due to the republic's dependence on the resource for survival, especially in the early days of independence, it is imaginable that, should uranium become the main revenue-generating mineral resource, Kazakhstan's policies toward it may evolve as well.

V. THE KAZAKHSTAN WAY: TO NOW AND FORWARD

A. ACHIEVEMENTS SO FAR

Judging from Kazakhstan's dismal conditions in the early days of its independence, a shrewd gambler could be forgiven for writing off the republic's future prospects. At best, Kazakhstan should have fallen prey to the resource curse and remained a backwards petrostate; at worst, it could have collapsed under the stress of internal divisions and a failing economy. Instead, Nazarbayev's regime has managed to build a middle power with a vibrant economy that has improved the lives of ordinary Kazakhstanis and earned a reputation as a steadfast champion of peace. The mere presence of large quantities of oil and gas, while crucial for the economy, cannot by itself explain this achievement; Nazarbayev's regime has made strategic choices and implemented policies that steered the country onto an upward path, even as it brutally consolidated power and reaped the benefits of outsized rents.

In hindsight, Nazarbayev's early decision to abandon the militaristic path to building power was a watershed event in Kazakhstan's modern history. Voluntarily giving up its large store of inherited Soviet nuclear arsenal and weapons-grade fissile material was one of Kazakhstan's most significant steps in realizing Nazarbayev's multi-vector foreign policy, since this display of goodwill opened the door to the West. Through this opening, Nazarbayev eagerly invited in the ideas and investments that helped him fend off Russian influence, allowing for the freer pursuit of his strategic goals going forward.

With this freedom to maneuver, Nazarbayev experimented with a variety of geoeconomic strategies with less worry that Kazakhstan would fall back into Moscow's orbit and recede into irrelevance. The overall goal of these strategies is threefold: secure the regime's power, strengthen Kazakhstan's position relative to its stronger neighbors, and advance Kazakhstan's international status. The overarching philosophy is that Kazakhstan would both internally balance, specifically regarding its economy, and externally build commercial and diplomatic ties with willing foreign partners without

allowing any one of them to wield dominant influence over Kazakhstan's domestic affairs.

This thesis examined the application of these strategies to two types of energy resources: oil and gas, which have received a lot of attention in the literature, and uranium, which has received very little. Despite the overall consistent multi-vector philosophy that has guided Kazakhstan's management of both of these resources, the differences are significant enough to demonstrate that not all natural resources are equally significant politically, or at least, not significant in the same way.

The sheer size of Kazakhstan's fossil fuel economy forces the regime to be more aggressive in managing this resource, whether in dealing with questionable foreign actors, using the proximity of China to balance out Russia, or enticing foreign governments and firms with large appetites into unfavorable deals. In contrast, since uranium constitutes a much smaller segment of Kazakhstan's economy and Nazarbayev's strategic goal of building domestic nuclear power depends heavily on influx of foreign capital, knowledge, and technology, Kazakhstan's behavior in this industry appears exclusively cordial and cooperative. Kazakhstan's moral stance on nuclear disarmament, nonproliferation, and safety also bolsters its image as the model partner on nuclear issues and in the uranium market.

Finally, a significant portion of Kazakhstan's resource revenue is devoted to strengthening its overall economy, a clear sign that it is consciously avoiding the pitfalls of the resource curse. Here again, fossil fuel revenues matter more due to their larger relative size, but the mechanisms of improvements are similar: revenue streams feed into SWFs that invest in other industries or act as stability funds, and human capital development, especially education, is—somewhat surprisingly—a central concern for this semi-authoritarian regime.

B. CHALLENGES AHEAD

Kazakhstan has made remarkable strides in the face of formidable challenges over the last 25 years of independence, but as the old investment adage cautions, "Past performance is no guarantee of future results." Corruption, economic diversification, and

political continuity are several issues that threaten to derail Kazakhstan's ascent. Kazakhstan must continue to urgently address these areas, while it still has the advantage of prosperity and stability, or it risks squandering its impressive accomplishments.

1. Corruption

Based on Transparency International's Corruption Perception Index, although Kazakhstan ranks the highest among Central Asian republics, with a score of 29 out of a 100 (compared with the world average of 43), it still places near the global bottom at 131 out of 176 countries.²⁷⁸ Such sustained corruption gradually erodes the goodwill of foreign leaders and investors and the trust of the domestic population, both of which have been critical to the regime's building of power.

International institutions, such as the OECD, continue to work with domestic actors to develop anti-corruption strategies, but, so far, OECD's assessment of Kazakhstan's progress has been mixed.²⁷⁹ Observers have expressed concerns that the regime has given more power to Kazakhstan's Secret Services in the name of anti-corruption, but it is in fact using this effort as a tool to root out political opposition.²⁸⁰ The OECD's report notes a lack of implementation of the organization's recommendations in several areas, but it also praises Kazakhstan's progress on criminal law reform, civil service regulation, and integrity in the business sector.²⁸¹ In an announcement of the opening of an anti-corruption educational program in Almaty, the Chair of Transparency International Kazakhstan emphasized the importance of realizing that corruption is a cultural problem in Kazakhstan, and thus a comprehensive program that starts early in the lives of all Kazakhstani that permeates all levels is key to

²⁷⁸ Transparency International, "Kazakhstan," accessed August 31, 2017, <https://www.transparency.org/country/KAZ>; Transparency International, "Corruption Perceptions Index 2016," January 25, 2017, https://www.transparency.org/news/feature/corruption_perceptions_index_2016.

²⁷⁹ OECD, "Anti-Corruption Reforms in Kazakhstan: Round 3: Monitoring of the Istanbul Anti-Corruption Action Plan," OECD, October 10, 2014, 5, www.oecd.org/corruption/acn/Kazakhstan-Round-3-Monitoring-Report-ENG.pdf.

²⁸⁰ Paolo Sorbello, "Kazakhstan's Anti-Corruption Drive Turns Against Opposition," *The Diplomat*, February 27, 2017, <http://thediplomat.com/2017/02/kazakhstans-anti-corruption-drive-turns-against-opposition>.

²⁸¹ OECD, "Anti-Corruption Reforms in Kazakhstan," 5, 6.

combatting the problem.²⁸² This is no doubt an uphill struggle, and the international community must continue to engage the Kazakhstani government to ensure progress.

2. Economic Reform and Diversification

The economy has been the main engine that has provided both the financial strength and sociopolitical stability for Nazarbayev's power building, and its sustained growth is crucial for the future of both the regime and the republic overall. To that end, Kazakhstan needs to continue its economic diversification and systemic reform efforts because its economy's heavy reliance on mineral resource is a liability in the long term, even though this source of revenue has propelled development up to this point.

The economist Dani Rodrik writes that “igniting economic growth and sustaining it are somewhat different enterprises,” since the former requires only limited reforms that do not disrupt the existing economic institutions, while the latter requires a deeper institutional foundation to support a resilient and dynamic economy.²⁸³ While Rodrik would likely agree with Nazarbayev that Kazakhstan does not have to follow any standard script of economic development—indeed, there are many varying examples of successful formulas around the world—he also cautions that “no country has experienced rapid growth without minimal adherence to ... principles of sound economic governance—property rights, market-oriented incentives, sound money, fiscal solvency.”²⁸⁴ Nazarbayev’s regime has made improvements in several of these areas, notably property rights and market incentives, with encouraging foreign investments and privatized ownership of mineral resources being prime examples.

Nevertheless, as the detrimental effects of collapsing oil prices on Kazakhstan’s GDP and currency have demonstrated since 2014, the country needs to rapidly move into and open up alternative commercial spheres that can grow independently of oil revenue.

²⁸² Transparency Kazakhstan, Civic Foundation, “Anti-Corruption School Opens Its Doors in Almaty, Kazakhstan,” Transparency International, April 23, 2014, https://www.transparency.org/news/pressrelease/anti_corruption_school_opens_its_doors_in_almaty_kazakhstan.

²⁸³ Dani Rodrik, *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth* (Princeton: Princeton University Press, 2007), 16.

²⁸⁴ Ibid., 39.

Nazarbayev's educational focus toward high technological fields is a step in the right direction. Also, Astana's hosting of the 2017 EXPO, "essentially the world's largest science fair," is the regime's latest ostentatious effort to both increase Kazakhstan's international stature and pave the way for economic diversification.²⁸⁵ With the theme of "Future Energy," the EXPO is broadcasting Kazakhstan's goal of diversifying away from natural resource dependence and into other fields, including alternative energy and finance.²⁸⁶ While the economy is still thriving, now is the time to implement reforms that the regime has been putting off in the name of preserving stability, since such reforms are "much easier to undertake in an environment of growth rather than stagnation."²⁸⁷

3. Political Succession

The durability of the current favorable environment will also soon be tested by the question of leadership succession. Nazarbayev has ruled Kazakhstan since 1989 and has been called "the longest-serving and, arguably, most effective leader in the former Soviet Union [republics]."²⁸⁸ Through his vision of an Eurasian Kazakhstan and his adroit implementation of the multi-vector foreign policy, Kazakhstan has become a key partner to several major powers—specifically the United States, Russia, and China—in various spheres without falling under the dominance of any one of them. Yet he has also maintained power at home through no small amount of intrigue, dealing mercilessly with political opponents when he has deemed it necessary.²⁸⁹

The super-presidentialist political system that Nazarbayev has constructed with the support of Kazakhstani elites has inextricably wedded his personage to the fate of the republic. This is a problem for Kazakhstan going forward. In this political system, the assumption of equivalence between Nazarbayev's policy decisions with those of

²⁸⁵ David Segal, "Can a Giant Science Fair Transform Kazakhstan's Economy?" *New York Times*, September 9, 2017, <https://www.nytimes.com/2017/09/09/business/kazakhstan-expo-economy.html>.

²⁸⁶ Ibid.

²⁸⁷ Rodrik, *One Economics, Many Recipes*, 44.

²⁸⁸ Dana E. Abizaid, "The Stable State of Nursultan Nazarbayev's Kazakhstan," *Forbes*, February 17, 2017, <https://www.forbes.com/sites/realspin/2017/02/17/the-stable-state-of-nursultan-nazarbayevs-kazakhstan/#16d6a84363b9>.

²⁸⁹ Ibid.

Kazakhstan as a whole has been largely valid so far. However, after toiling as a steelworker early in life, this 77-year-old ruler's long political career may be near the end, and the path of succession is far from clear. One Russian scholar observed that "the next president could try to preserve the autocratic system, but ... without Mr. Nazarbayev the structure would fall apart in five years," and, evidently, the Kazakhstani people and the elites share this concern.²⁹⁰

Nazarbayev has carefully cultivated a cult of personality that renders alternatives difficult, if not impossible, to imagine. In 2015, Nazarbayev received "countless endorsements from his party colleagues" to enter the 2016 presidential elections, despite outwardly expressing ambivalence for running again.²⁹¹ Once Nazarbayev announced his entrance, there was little doubt that he would win handily, even under normal electoral circumstances.²⁹² William Easterly argues that even if, by avoiding democratic stalemates that impede development, a "benevolent autocrat" with good intentions—a description befitting Nazarbayev—deserves the credit for his nation's progress, a debate over this narrative and alternative forms of government should still take place because "unrestrained power will always turn out to be the enemy of development."²⁹³ Unfortunately, such debate is largely stifled in Kazakhstan.

With Nazarbayev's every successive term in office, the political system that has provided much needed stability is also keeping the country ill-prepared for the inevitable and uncertain transition, likely limiting Kazakhstan's future prospects. On this front, the outside world has little choice but to observe the movements of emerging political factions, mediate where possible, and hope that the nascent institutions that sprang up during Nazarbayev's rule will stay standing amid the power struggle after he is gone.

²⁹⁰ Ellen Barry, "Strongman and Stability Guide Kazakhs in Vote," *New York Times*, April 1, 2011, <http://www.nytimes.com/2011/04/02/world/asia/02kazakhstan.html>.

²⁹¹ Paolo Sorbello, "Kazakhstan: One Last Time for Nazarbayev," *The Diplomat*, March 16, 1015, <http://thediplomat.com/2015/03/kazakhstan-one-last-time-for-nazarbayev>.

²⁹² Ibid.

²⁹³ William Easterly, *The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor* (New York: Basic Books, 2013), 8, 351.

C. IMPLICATIONS FOR U.S. FOREIGN POLICY

Triumphant Western liberalism after the Soviet Union's fall helped stabilize Kazakhstan and propel its rise by accepting it into the international fold and mitigating Russia's influence, but the republic has not embraced liberal democracy in return. In the decades since, it became clear that Western liberalism would not become the prevailing political ideology for all countries, as Francis Fukuyama predicted, and a more diverse political ecosystem grew out of the rubble of a bipolar world order.²⁹⁴ With the rising economic strength of China and its willingness to "go out" in search of resources and investment opportunities, the United States has had to struggle with its diminished influence in Central Asian regional politics, a reality that came to the fore during contentious negotiations of wartime overflight and basing rights after September 11.²⁹⁵ Formerly minor states at the periphery of America's concern can now gain prestige and power by balancing the major powers against one another or accentuating their positions on niche issues where major powers lack coverage or credibility.

The sum of these effects on American foreign policy is to force a turn away from idealism toward pragmatism. Studying Kazakhstan's rise up to this point, despite the two countries' very different political systems, should help America's leaders recognize that there are various ways to run a country successfully, some of which might be ideologically incompatible with the American way. Yet the United States should continue to engage illiberal regimes by appealing to shared values and common interests on issues such as nuclear nonproliferation and economic development. Kazakhstan's foreign policy successes have demonstrated the value of a multi-vectored strategy in a multipolar world, where countries have the option of building ties with several major powers or none at all. The lecturing and prodding method of spreading liberal democracy is losing traction when foreign rulers can hold on to political power while developing their economy, and the champions of this ideal need to find other ways to attract new adherents to the gospel

²⁹⁴ Ishaan Tharoor, "The Man Who Declared the 'End of History' Fears for Democracy's Future," *Washington Post*, February 9, 2017, https://www.washingtonpost.com/news/worldviews/wp/2017/02/09/the-man-who-declared-the-end-of-history-fears-for-democracy-s-future/?utm_term=.1878057067c8.

²⁹⁵ Cooley, *Great Games*, 32.

of liberal democracy. It is time for the United States to re-evaluate its promotion of the liberal democratic order through the lens of geoeconomics and chart its foreign policy path forward accordingly.

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